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

SAN DIEGO COUNTY
LOCAL AGENCY FORMATION COMMISSION

SPECIAL MEETING AGENDA
Monday, June 15, 2026

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

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

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

Video Viewing Only
@sandiegolafco9909

San Diego LAFCO		
Commissioner	**Appointing Authority**	**Affiliation**
CHAIR KRISTI BECKER	Cities Selection Committee	City of Solana Beach
VICE CHAIR BARRY WILLIS	Independent Special Districts	Alpine Fire Protection
PALOMA AGUIRRE	Board of Supervisors	County of San Diego
JOEL ANDERSON	Board of Supervisors	County of San Diego
BRIGETTE BROWNING	Commission	General Public
JO MACKENZIE	Independent Special Districts	Vista Irrigation
STEPHEN WHITBURN	Mayor of the City of San Diego	City of San Diego
DANE WHITE	Cities Selection Committee	City of Escondido
ALTERNATE EILEEN DELANEY	Commission	General Public
ALTERNATE DAVID A. DRAKE	Independent Special Districts	Rincon del Diablo MWD
ALTERNATE JOHN MCCANN	Cities Selection Committee	City of Chula Vista
ALTERNATE MONICA MONTGOMERY STEPPE	Board of Supervisors	County of San Diego
ALTERNATE MARNI VON WILPERT	Mayor of the City of San Diego	City of San Diego

Participation Instructions:

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

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

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

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

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

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

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

Public Accommodations:

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

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

Contact Information:

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

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

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

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

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

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

   a) **Approval of Meeting Minutes for May 4, 2026 (action)**
   The Commission will consider action minutes from the May 4, 2026 meeting prepared by the Commission Clerk. Staff recommends approval as presented. (Pages 7-18)

   b) **Commission Ratification | Recorded Payments for April 2026 (action)**
   The Commission will review a report of all payments made and received for April 2026. Staff recommends ratifying payments as presented. (Pages 19-28)

   c) **Report on Applicant Proposals (information)**
   The Commission will receive a status report on active and anticipated applicant proposals. Information only. (Pages 29-40)

   d) **Legislative Report (information)**
   The Commission will receive an update on active legislation relevant to the agency's regulatory and planning responsibilities. Information only. (Pages 41-50)

   e) **Notice of New Professional Services Agreement with RSG, Inc. | Governance Study on the Oceanside Small Craft Harbor District (information)**
   The Commission will receive notice of a new professional services agreement executed by the Executive Officer with RSG, Inc. to support the Commission's scheduled governance study on the Oceanside Small Craft Harbor District. Information only. (Pages 51-78)

   f) **Notice of County of San Diego Neighborhood Reinvestment Grant Award to Help Fund Governance Study on the Oceanside Small Craft Harbor District (information)**
   The Commission will receive notice of a new grant award in the amount of $30,000 from the County of San Diego District 5 Office (Supervisor Jim Desmond) through its Neighborhood Reinvestment Program. The award will support LAFCO's scheduled governance study on the Oceanside Small Craft Harbor District. Information only. (Pages 79-88)

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

Public hearing items require expanded public notification per provisions in State law or have been voluntarily scheduled by the Executive Officer to ensure opportunity for public input. All public hearing items require verbal disclosures by Commissions regarding any material communications.

a) Proposed Final Report and Related Actions |
Municipal Service Review on Carlsbad Subregion:
City of Carlsbad and the Carlsbad Municipal Water District (action)

The Commission will consider a proposed final municipal service review (MSR) for the Carlsbad Subregion. The MSR fulfills LAFCO's statutory responsibility to independently evaluate the availability and performance of public services in relation to community needs and to adopt related determinations. The report covers two agencies under LAFCO's jurisdiction: the City of Carlsbad and the Carlsbad Municipal Water District (CMWD). It is presented largely unchanged from the April 2026 draft following a 45-day public review period. Substantive revisions that have been made are limited, shown in track-change format as an attachment, and primarily tie to incorporating comments received from the County of San Diego involving the report's analysis covering the McClellan-Palomar Airport. It is recommended the Commission formally accept the proposed final report and take ancillary actions as detailed. (Pages 89-338)

7. BUSINESS CALENDAR

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

a) Proposed Agreement with London Moeder Advisors to Prepare the Comprehensive Fiscal Analysis on the Proposed Incorporation of La Jolla + Related Project Update (action)

The Commission will consider authorizing the Executive Officer to execute a professional services agreement with London Moeder Advisors to prepare the comprehensive fiscal analysis (CFA) required for the proposed special reorganization to incorporate the community of La Jolla, with concurrent detachment from the City of San Diego. London Moeder Advisors was unanimously selected by a five-member selection committee following a request for proposals process, receiving the highest score based on qualifications, project approach, local government expertise, and interview performance. The proposed agreement carries a not-to-exceed amount of $150,000 through June 15, 2028, to be funded by the proponents. A status update on the reorganization and an updated timeline are also provided. Staff recommends the Commission authorize the Executive Officer to execute the agreement and, separately, receive the accompanying update. (Pages 339-430)

b) Quarterly Update on 2025-2026 Workplan (discussion)

The Commission will receive a quarterly update on the current fiscal year workplan and related staff activities as part of its business calendar. This item is presented for discussion only and offers the Commission an opportunity to provide feedback on current and future workplan activities. (Pages 431-436)

BUSINESS CALENDAR CONTINUED…

c) **Final Report on State Planning Grant |**
Helping Bridge the Economic Gap of Small-Scale Farming (SALC 2.0) (action)
The Commission will receive the final report from its Sustainable Agricultural Lands Conservation (SALC) planning grant, known as SALC 2.0. The report has been prepared collaboratively by LAFCO and the County's Planning & Development Services, and finds the region's small farms are viable but operating on thin margins – averaging roughly 13% – and vulnerable to rising water and labor costs. With water affordability one of the most influential factors, the report proposes actions, a pilot project, and recommendations for the Commission – including regional agricultural water coordination, greater attention to farm economics in planning, and ongoing monitoring. It is recommended the Commission formally receive and file the report and provide related direction to LAFCO staff on pursuing one or more of the report's recommendations. (Pages 437-444)

8. CLOSED SESSION
None

9. EXECUTIVE OFFICER REPORT

10. COMMISSIONER ANNOUNCEMENTS & REQUESTS FOR FUTURE ITEMS

11. ADJOURNMENT TO NEXT REGULAR MEETING
August, 3, 2026

Attest to Posting:

Erica Sellen
Commission Clerk

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5a

AGENDA REPORT
Consent | Action

June 15, 2026

TO: Chair Becker and Commissioners

FROM: Erica Sellen, Commission Clerk

SUBJECT: **Approval of Meeting Minutes | Regular Meeting of May 4, 2026**

SUMMARY

The San Diego County Local Agency Formation Commission (LAFCO) will consider draft minutes prepared for the regular meeting held on May 4, 2026. The minutes are in action form and being presented for formal Commission approval.

BACKGROUND

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

DISCUSSION

This item is for San Diego LAFCO to consider approving action minutes for the May 4, 2026 regular meeting. The attendance record for the meeting follows.

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

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

ANALYSIS

The attached draft minutes for the May 4, 2026 regular meeting accurately reflect San Diego LAFCO's deliberations as recorded by the Commission Clerk. A video recording of the meeting has also been posted on the Commission's website (www.sdlafco.org).

RECOMMENDATION

It is recommended San Diego LAFCO approve the draft minutes prepared for the May 4, 2026 regular meeting as presented, with staff attesting to its completeness. This recommendation is consistent with Alternative One outlined in the following section.

ALTERNATIVES FOR ACTION

The following alternatives are available to San Diego LAFCO:

Alternative One (recommended):
Approve the attached draft minutes prepared for the May 4, 2026 regular meeting as presented.

Alternative Two:
Approve the attached draft minutes prepared for the May 4, 2026 regular meeting with any requested corrections or clarifications.

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

PROCEDURES

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

Respectfully,

Erica Sellen
Commission Clerk

Attachment:

1) Draft Meeting Minutes for May 4, 2026

DRAFT MINUTES
SAN DIEGO LAFCO REGULAR MEETING
May 4, 2026

1. 8:15 A.M. – CALL TO ORDER BY CHAIR

Item 1a
ROLL CALL OF COMMISSIONERS PRESENT

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

Regulars Present:	Paloma Aguirre, County of San Diego Joel Anderson, County of San Diego Kristi Becker, City of Solana Beach (CHAIR) Brigette Browning, Public Jo MacKenzie, Vista Irrigation District Stephen Whitburn, City of San Diego Dane White, City of Escondido Barry Willis, Alpine Fire Protection District (VICE CHAIR)
Alternates Present:	Eileen Delaney, Public David Drake, Rincon del Diablo Municipal Water District John McCann, City of Chula Vista (arrived at 8:25 a.m.)
Members Absent:	Monica Montgomery Steppe, County of San Diego (alternate) Marni von Wilpert, City of San Diego (alternate)

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

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

Commissioner Aguirre left the meeting during the break at 10:09 a.m.

Item 1b
PLEDGE OF ALLEGIANCE

Chair Becker led the Pledge of Allegiance.

2. STATEMENT REGARDING REMOTE PARTICIPATION, IF APPLICABLE

None.

3. AGENDA REVIEW

Chair Becker asked Executive Officer Simonds if there were any requests to remove or rearrange items on the agenda. Executive Officer Simonds stated no changes to the agenda were needed while also noting supplemental correspondence has been posted and distributed along the dais involving Agenda Item 6a.

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

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

The Commission Clerk confirmed there was one online speaker:

- Tedi Jackson, on behalf of Save Rural Escondido

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

5. CONSENT ITEMS

Item 5a
Approval of Meeting Minutes for April 6, 2026
Item presented to approve draft action minutes prepared for the Commission's April 6, 2026 meeting. Recommendation to approve.

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

Item 5c
Budget Update for 2025-2026 |
Third Quarter Actuals with Year-End Projections
Item presented to review a report comparing budgeted and actual transactions through the third quarter of 2025-2026 and related analysis. The Commission finished the second quarter expending 62% of total budgeted expenses while collecting 72% of total budgeted revenues. Recommendation to accept the report.

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

CONSENT ITEMS CONTINUED…

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

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

**

Commissioner Browning motioned with a second from Commissioner White to approve the consent calendar (Agenda Items 5a–5f) with staff recommendations (Alternative One) as presented.

Roll call requested:

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

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

Item 5g *This item was heard after Agenda Item 8 (Executive Officer Report)*
Report on Recent Committee Meeting |
Special Districts Advisory Committee's April 17, 2026 Meeting
Item presented to receive a report on the most recent meeting of its Special Districts Advisory Committee held on April 17th. Information only.

Commissioner Willis requested to pull Agenda Item 5g for discussion.

**

Commissioner Willis motioned with a second from Commissioner Becker to approve Agenda Item 5g.

Roll call requested:

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

The Commission Clerk confirmed the motion was approved 7-0.

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

Item 6a
Draft Report | Municipal Service Review on Wholesale Water Service Providers, Part I: San Diego County Water Authority
Item presented to hold a public hearing on a draft municipal service review (MSR) covering the San Diego County Water Authority (CWA). The study represents Part I of a broader regional MSR evaluating the two primary wholesale water service providers serving San Diego County – the CWA and the Metropolitan Water District of Southern California (MWD) – and is being advanced as part of the Commission's adopted workplan. The report independently assesses CWA's role to plan, fund and deliver wholesale water service to its 22 local member agencies over a 15-year reporting period spanning fiscal years 2009 - 2023. This includes written determinations addressing factors required under statute and local policy as part of the MSR process. The draft report incorporates CWA comments following the completion of the 60-day administrative review period. Staff requested direction on whether to (a) proceed with a formal 45-day public review and comment period ahead of preparing a final version for future consideration, or (b) return with an updated draft before going any further. Item presented for discussion.

Chair Becker requested any disclosures from Commissioners on material ex parte communications. Disclosures from Commissioners Whitburn, Becker, Browning, and Anderson were announced.

Staff presentation provided by Assistant Executive Officer Mumpower and LAFCO Consultants Dr. Michael Hanemann and Patrick Bouteller.

Chair Becker opened the hearing and invited public comments from the following registered speakers:

- Cathy Pieroni
- Lani Lutar

Chair Becker invited comments from the following online speaker:

- Patrick McDonough, San Diego Coastkeeper

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

Chair Becker invited questions and comments from the Commissioners. General discussion ensued, with several Commissioners expressing concerns regarding proceeding with the MSR at this time given the analytical window ending in 2023 and the significant and ongoing developments that have occurred since then. Commissioners also discussed the potential value of revisiting the MSR within the next three to five years.

PUBLIC HEARING ITEMS CONTINUED…

Item 6a Continued…

Executive Officer Simonds noted Part II of the MSR involving MWD had yet to be heard by the Commission and was tentatively scheduled for August 2026.

Additional discussion followed, culminating in direction from the Commission to discontinue further work on the draft Municipal Service Review of the CWA. The action reflected the Commission's view that the analytical window covering Fiscal Years 2009 through 2023 had become stale relative to more recent and significant events affecting the agency and broader regional water landscape.

In a related action, the Commission directed a similar discontinuance of the in-progress Municipal Service Review involving MWD.

Chair Becker then proceeded to close the hearing.

**

Commissioner Whitburn motioned with a second from Commissioner Anderson to discontinue work on the CWA and MWD MSRs and return to the Commission in 4 years.

Roll call requested:

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

The Commission Clerk confirmed the motion was approved 5-3.

**

The Commission took a 5-minute break after the vote.

**

Item 6b
Annual Workforce Vacancy Report
Item presented to consider an annual workforce vacancy report addressing position vacancies at LAFCO as of May 2026. Recommendation to formally receive and file.

Executive Officer Simonds provided a verbal staff presentation.

Chair Becker opened the hearing and invited public comments.

PUBLIC HEARING ITEMS CONTINUED…

Item 6b Continued…

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

Chair Becker proceeded to close the hearing.

**

Commissioner Willis motioned with a second from Commissioner White to approve the staff recommendation (Alternative One) as listed in the agenda report.

Roll call requested:

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

The Commission Clerk confirmed the motion was approved 7-0.

Item 6c
Proposed Final Workplan and Budget for 2026-2027 and Related Actions
Item presented to consider recommendations to adopt a final workplan and budget for 2026-2027. Both items return substantively intact following draft adoption in March and subsequent public review – including presentations to LAFCO's Cities and Special Districts Advisory Committees. The proposed workplan continues to list 30 special projects. Revisions are limited to six material changes as detailed in the report. The final budget is identical to the adopted draft in setting overall expenditures at $2.904 million, with operating expenses increasing by 3.3%, or $90,379. Recommendation to adopt both items with any revisions by resolution along with related actions as specified.

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

Staff presentation provided by Executive Officer Simonds.

Chair Becker opened the hearing and invited public comments from the following registered speakers:

- Alisha Morrison
- Doyle Morrison

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

PUBLIC HEARING ITEMS CONTINUED…

Item 6c Continued…

Chair Becker invited questions and comments from the Commissioners. General discussion ensued about reordering the proposed workplan given the Commission's action to discontinue work on Priority No. 1 involving the CWA and MWD MSRs.

Chair Becker proceeded to close the hearing.

**

Commissioner MacKenzie motioned with a second from Commissioner Anderson to approve the staff recommendation (Alternative One) as listed in the agenda report with an amendment to move the proposed City of San Diego MSR from the bullpen list to a Medium Priority Project No. 11.

Roll call requested:

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

The Commission Clerk confirmed the motion was approved 4-3.

Commissioner Whitburn noted Commissioner Aguirre was absent for the roll call and requested the Commission revisit the action at its next meeting in June and relative to placement of the City of San Diego MSR within the adopted workplan.

7. BUSINESS ITEMS

Item 7a
Proposed "3144 Roadrunner Road Out-of-Agency Wastewater Services" | Buena Sanitation District (OAS26-05)
Item presented to consider a request by the Buena Sanitation District (Buena SD) for authorization to provide extended out-of-agency wastewater services to a 0.53-acre parcel located within the City of San Marcos. The affected territory at 3144 Roadrunner Road (APN 217-232-32) is currently developed with a single-family residence (SFR) built in 2016. The purpose of the request is to redirect the existing authorization directly between Buena SD and the landowner involving the developed SRF as well as extend authorization to facilitate and serve a planned accessory dwelling unit. Recommendation to approve with standard terms. It was also recommended the Commission waive its customary practice of conditioning approval on the landowner filing a future annexation proposal with LAFCO, given local conditions as detailed in the report. Additional recommendations find the request qualifies as a project under the California Environmental Quality Act (CEQA) but is exempt from further review under State CEQA Guidelines Section 15319(b).

BUSINESS ITEMS CONTINUED…

Item 7a Continued…

Local Government Analyst II Peters provided the staff presentation.

Chair Becker invited public comments.

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

Chair Becker proceeded to invite questions and comments from the Commissioners. No discussion.

**

Commissioner Becker motioned with a second from Commissioner Willis to approve the staff recommendation (Alternative One) as listed in the agenda report.

Roll call requested:

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

The Commission Clerk confirmed the motion was approved 7-0.

8. EXECUTIVE OFFICER REPORT

Executive Officer Simonds noted the following:

- The June 1st regular meeting has been cancelled and a special meeting has been scheduled for June 15th. Notable items anticipated for consideration at the June 15th meeting include the Carlsbad Municipal Service Review, the Fiscal Year 2025 audit, and, consistent with direction provided under Agenda Item No. 6c (Final Workplan & Budget), a revisiting of the Fiscal Year 2026-2027 Workplan and Budget.

9. COMMISSIONER ANNOUNCEMENTS & REQUESTS FOR FUTURE ITEMS

None.

10. ADJOURNMENT TO NEXT MEETING

With no further business, Chair Becker adjourned the meeting at 10:57 a.m.

I hereby attest the minutes above accurately reflect the deliberations of the Commission at its May 4, 2026 meeting.

ATTEST,

Erica Sellen
Commission Clerk

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5b

AGENDA REPORT
Consent | Action

June 15, 2026

TO: Chair Becker and Commissioners

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

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

SUMMARY

The San Diego County Local Agency Formation Commission (LAFCO) will receive a financial report covering transactions for April 2026. The report documents $176,670 in total expenses authorized by the Executive Officer and $31,698 in payments received. All transactions are consistent with the adopted budget. Staff recommends the Commission ratify these payments with the option to pull the item for discussion if needed.

BACKGROUND

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

DISCUSSION

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

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Brigette Browning, General Public
Eileen Delaney, Alt., General Public

ANALYSIS

Expenses transacted by the Executive Officer for April 2026 total $176,670. More than three-quarters – $135,342 – involves reimbursing the County of San Diego for two payroll periods and administrative support services pursuant to the Commission-approved memorandum of understanding. The month's defining expense activity is the Sustainable Agricultural Lands Conservation (SALC) grant, which accounts for $18,812 in expenditures – principally a $13,676 payment to Rick Engineering and a $5,136 transfer to the County for planning services. Professional services, which typically anchor a significant amount of expenses, are largely absent this report, as the Executive Officer's contracted consultants did not submit billings in April; fiscal-year-to-date consultant activity is summarized in Appendix A. Revenues collected total $31,698, the large majority – $22,720 – representing reimbursement under the SALC grant, with the balance comprising one application processing fee, and Alliance reimbursements from the Los Angeles and Orange County LAFCOs for administrating the Politico Group contract for legislative services.

RECOMMENDATION

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

ALTERNATIVES FOR ACTION

The following alternatives are available to San Diego LAFCO:

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

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

Alternative Three:
Take no action.[1]

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

PROCEDURES

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

On behalf of the Executive Officer:

Erica Sellen
Commission Clerk

Appendix: as stated
Attachment: as stated

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Appendix A

TOTAL PAID	INVOICES	CONSULTANTS
$227,063.25	43	9

Consultant	Scope	Limit	%	Total	Invoices · Contract Limit
ADW Consulting LLC	Ongoing Intergovernmental Support	$124,999.00	67%	$84,000.00	8 inv · Contract Limit: $124,999.00
Arena Public Affairs	Ongoing Intergovernmental Support	$102,000.00	59%	$60,606.00	7 inv · Contract Limit: $102,000.00
Kennedy Water Consulting LLC	Water + Wastewater Services Consultant	$110,000.00	38%	$42,006.25	8 inv · Contract Limit: $110,000.00
Bill Fulton	Contract Specific to SANDAG MSR	$33,000.00	36%	$12,000.00	2 inv · Contract Limit: $33,000.00
Michael Stein	Fire Protection Consultant	$64,000.00	20%	$12,720.00	8 inv · Contract Limit: $64,000.00
Christine O'Rourke	Climate Planning + Environmental Justice Consultant	$100,303.00	5%	$5,287.50	1 inv · Contract Limit: $100,303.00
TAC	Contract Specific to Homeless Services White Paper	$19,000.00	27%	$5,082.50	2 inv · Contract Limit: $19,000.00
RGS	Human Resources Support Services	$50,000.00	7%	$3,611.00	6 inv · Contract Limit: $50,000.00
W. Michael Hanemann	Contract Specific to CWA/MET MSR	$20,000.00	9%	$1,750.00	1 inv · Contract Limit: $20,000.00
GRAND TOTAL — ALL CONTRACTS				$227,063.25	

Illustration made by LAFCO with Anthropic

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SAN DIEGO LAFCO
Expenses by Vendor Detail
April 2026

Payable | Receivable Party	Date	Account	Amount	Purpose	Type	Funding Account
E | Ace Parking						
	4/3/2026	52610 · Non-Travel/In-County	21.00	EO Parking	debit card	3558 · SDCCU Checking
E | After Effects (Adobe)						
	4/15/2026	52270 · Memberships	19.99	Monthly Adobe DC Pro Upgrade	debit card	3558 · SDCCU Checking
E | Aiden Velasquez						
	4/8/2026	52332 · Postage	46.69	Reimbursement | Agenda Packet Postage (ED & DD)	check	3558 · SDCCU Checking
E | Amazon						
	4/15/2026	52566 · Minor Equipment	278.93	Camera Equipment	credit card	3558-60 · SDCCU Visa Credit Card
	4/24/2026	52344 · Stores Unallocated	181.70	General Office Supplies	credit card	3558-60 · SDCCU Visa Credit Card
			460.63			
E | Ambius						
	4/16/2026	52344 · Stores Unallocated	460.28	Monthly Plant Service + Rotation	check	3558 · SDCCU Checking
E | Anthropic						
	4/29/2026	52270 · Memberships	125.00	Monthly Subscription - Graphic Design: MSR Illustrations	credit card	3558-60 · SDCCU Visa Credit Card
E | ARCC (Assessor Recording County)						
	4/8/2026	52490 · Publications	50.00	NOE Fee | CO25-11	check	3558 · SDCCU Checking
	4/8/2026	52490 · Publications	50.00	NOE Fee | OAS25-17	check	3558 · SDCCU Checking
			100.00			
E | Assura Software						
	4/10/2026	52074 · Telecommunications	750.00	Website Hosting Support Services	electronic	1000 · County Account (44595)
E | AT&T Mobility						
	4/30/2026	52074 · Telecommunications	541.03	Monthly Cell Phone Bill | LAFCO Staff	check	3558 · SDCCU Checking
E | Bed Bath & Beyond						
	4/23/2026	52344 · Stores Unallocated	975.75	Office Chairs for Waiting Room	credit card	3558-60 · SDCCU Visa Credit Card
E | BJ's Restaurant						
	4/30/2026	52330 · Office Expense	115.68	Vice Chair Briefing (EO, AEO, MP & BW)	debit card	3558 · SDCCU Checking
E | Canva						
	4/8/2026	52270 · Memberships	30.00	Monthly Subscription	credit card	3558-60 · SDCCU Visa Credit Card
E | Claim Jumper						
	4/8/2026	52330 · Office Expense	79.84	LAFCO Mgt. Debriefing (EO, AEO & Counsel)	credit card	3558-60 · SDCCU Visa Credit Card
E | Clear Checks						
	4/10/2026	52562 · Investigative/Recruitment	44.99	Background Check for New Consultant (B. Ruiz)	credit card	3558-60 · SDCCU Visa Credit Card
E | Coast News						
	4/15/2026	52490 · Publications	246.76	PHN | Carlsbad MSR	debit card	3558 · SDCCU Checking
E | Colantuono, Highsmith & Whatley						
	4/16/2026	52370.B · Professional Services	45.00	Commission Counsel Services | Special Litigation	electronic	1004 · SDCCU Holding Account
E | Corodata						
	4/16/2026	52330 · Office Expense	62.40	Monthly Document Storage	check	3558 · SDCCU Checking
E | County of San Diego						
	4/1/2026	52354 · Mail/Postage ISF	550.16	Mail/Postage Services	electronic	1000 · County Account (44595)
	4/1/2026	52178 · Vehicle Maintenance	130.05	Motor Pool | Van Rental for Alliance Workshop	electronic	1000 · County Account (44595)
	4/1/2026	52178 · Vehicle Maintenance	146.89	Vehicle Maintenance Services	electronic	1000 · County Account (44595)
	4/1/2026	52182 · Vehicle Fuel	56.87	Vehicle Fuel	electronic	1000 · County Account (44595)
	4/1/2026	52758 · Vehicle Lease	165.49	Vehicle Lease	electronic	1000 · County Account (44595)
	4/1/2026	52721 et al. · Communications (IT) Services	6,446.01	County IT Services (ITRACK)	electronic	1000 · County Account (44595)
	4/10/2026	52504 · Equipment Rental	1.59	County Surcharge | Xerox	electronic	1000 · County Account (44595)
	4/10/2026	51110 et al. · Employee Payroll	63,850.86	Payroll | Pay Period 2026-21	electronic	1000 · County Account (44595)
	4/24/2026	51110 et al. · Employee Payroll	63,994.15	Payroll | Pay Period 2026-22	electronic	1000 · County Account (44595)
	4/30/2026	52304 · Miscellaneous	5,136.46	SALC Grant Payment to County PDS	electronic	1000 · County Account (44595)
			140,478.53			
E | David Drake						
	4/8/2026	52622 · Training/Registration Out-County	25.50	Reimbursement | Alliance Workshop Parking	check	3558 · SDCCU Checking
E | Erica Sellen						
	4/30/2026	52330 · Office Expense	70.00	Reimbursement | SDAC Meeting Refreshments	check	3558 · SDCCU Checking
E | Etsy						
	4/3/2026	52330 · Office Expense	104.30	AEO Office Expense	credit card	3558-60 · SDCCU Visa Credit Card
E | FedEx						
	4/17/2026	52330 · Office Expense	27.71	SDAC Commendation	credit card	3558-60 · SDCCU Visa Credit Card

SAN DIEGO LAFCO
Expenses by Vendor Detail
April 2026

Payable | Receivable Party	Date	Account	Amount	Purpose	Type	Funding Account
E | Grubhub						
	4/24/2026	52330 · Office Expense	27.71	AEO Office Expense	check	3558 · SDCCU Checking
E | Joelle Burila						
	4/16/2026	52330 · Office Expense	44.00	Reimbursement | Commission Meeting Refreshments	check	3558 · SDCCU Checking
E | Manchester Financial 5th Ave LP						
	4/10/2026	52530 · Office Lease	12,413.72	Office & Storage Rent	electronic	1000 · County Account (44595)
E | Mariscos Fallbrook						
	4/19/2026	52330 · Office Expense	174.00	LAFCO Staff - Quarterly Lunch - SDAC Meeting	debit card	3558 · SDCCU Checking
E| Meghan Traynor						
	4/8/2026	52330 · Office Expense	29.41	Briefing: MT and JM	check	3558 · SDCCU Checking
E | Michaela Peters						
	4/8/2026	52330 · Office Expense	95.29	Reimbursement | Commission Meeting Refreshments & EO Birthday	check	3558 · SDCCU Checking
E | News Library						
	4/20/2026	52270 · Memberships	25.95	SD Tribune Archives Monthly Service	debit card	3558 · SDCCU Checking
E | Orange County LAFCO						
	4/8/2026	52270 · Memberships	250.51	Reimbursement | Alliance Workshop Hosting Expenses	check	3558 · SDCCU Checking
E | Postal Annex						
	4/30/2026	52332 · Postage	117.98	Roll of Stamps & Agenda Packet Postage (ED)	credit card	3558-60 · SDCCU Visa Credit Card
E | Priscilla Mumpower						
	4/30/2026	52330 · Office Expense	48.93	Reimbursement | SDAC Commendation	check	3558 · SDCCU Checking
E | QuickBooks						
	4/5/2026	52330 · Office Expense	115.00	Monthly Service for Online QuickBooks	credit card	3558-60 · SDCCU Visa Credit Card
E | Ready Refresh Water						
	4/26/2026	52330 · Office Expense	112.93	Monthly Water Services	credit card	3558-60 · SDCCU Visa Credit Card
E | Rick Engineering Co						
	4/10/2026	52304 · Miscellaneous	13,676.00	SALC Grant	electronic	1000 · County Account (44595)
E | San Diego Union Tribune						
	4/16/2026	52490 · Publications	3,826.62	PHNS | Carlsbad MSR & Workplan+Budget (English & Spanish)	check	3558 · SDCCU Checking
E | The Brigantine						
	4/12/2026	52330 · Office Expense	67.27	EO & Rincon del Diablo MWD GM Briefing	debit card	3558 · SDCCU Checking
E | W. Michael Hanemann						
	4/30/2026	52622 · Training/Registration Out-County	311.81	Reimbursement | Airfare for Commission Meeting	check	3558 · SDCCU Checking
E | WP Engine						
	4/14/2026	52370.E · Professional Services	65.00	Monthly Web Hosting	debit card	3558 · SDCCU Checking
E | Wyndham Hotel						
	4/17/2026	52622 · Training/Registration Out-County	176.49	Dr. Hanemann Accomodations for Commission Meeting	credit card	3558-60 · SDCCU Visa Credit Card
E | Xerox						
	4/10/2026	52504 · Equipment Rental	237.32	Xerox Rental	electronic	1000 · County Account (44595)
E | YouTube						
	4/12/2026	52270 · Memberships	22.99	Monthly Streaming Support Services	debit card	3558 · SDCCU Checking
EXPENSE TOTAL			176,670.01			

R | County of San Diego						
	4/30/2026	49200 · Interest & Dividends	60.99	Interest Payment to Account 46725	electronic	1001 · Committed - Stabilization
	4/30/2026	49200 · Interest & Dividends	93.98	Interest Payment to Account 46726	electronic	1002 · Committed - Opportunity
	4/30/2026	49200 · Interest & Dividends	123.18	Interest Payment to Account 46727	electronic	1003 · Assigned - Executive Office

SAN DIEGO LAFCO

Expenses by Vendor Detail

April 2026

Payable | Receivable Party	Date	Account	Amount	Purpose	Type	Funding Account
			278.15			
R | Inland Valley Investments LLC						
	4/3/2026	46234 · Applications	6,450.00	Processing Fees (CO26-07)	check	1000 · County Account (44595)
R | Los Angeles LAFCO						
	4/3/2026	52270 · Memberships	1,100.00	Alliance Reimbursement | Politico Group Inv # 10FEB2026	check	1000 · County Account (44595)
E | Pagarkar						
	4/30/2026	52490 · Publications	50.00	Recording Fees (CO25-15)	check	3558 · SDCCU Checking
R | Orange County LAFCO						
	4/3/2026	52270 · Memberships	1,100.00	Alliance Reimbursement | Politico Group Inv # 10FEB2026	check	1000 · County Account (44595)
R | State of California						
	4/3/2026	45281 · State Aid Agriculture	22,719.58	SALC Grant	check	1000 · County Account (44595)
REVENUE TOTAL			31,697.73			

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AGENDA REPORT
Consent | Information

June 15, 2026

TO: Chair Becker and Commissioners

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

SUBJECT: **Report on Applicant Proposals**

SUMMARY

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

BACKGROUND

Procedures and Timelines

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

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Dane White, City of Escondido
John McCann, Alt., City of Chula Vista
Stephen Whitburn, City of San Diego
Marni von Wilpert, Alt., City of San Diego
Vice Chair Barry Willis, Alpine Fire Protection
Jo MacKenzie, Vista Irrigation
David Drake, Alt., Rincon del Diablo
Brigette Browning, General Public
Eileen Delaney, Alt., General Public

DISCUSSION

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

Twenty-four (24) active proposals are currently on file. Twenty (20) are under review, pending Commission consideration, while four (4) await recordation following conditional approval.[1] Staff have identified five (5) pending proposals with prospective applicants. A complete listing of all active and pending proposals is provided in Attachment One.

ANALYSIS

None.

RECOMMENDATION

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

ALTERNATIVES FOR ACTION

None.

PROCEDURES

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

On behalf of the Assistant Executive Officer,

Meghan Traynor
Analyst I

Attachment:

1) Active and Pending Proposals as of June 5, 2026

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

	File Number	Proposal Name | Affected Agencies	Project Manager	Proposal Summary
ACTIVE PROPOSAL APPLICATIONS | PENDING COMMISSION ACTION				
1	CO21-09	"Otay Lakes Road Change of Organization" - City of Chula Vista: Annexation	Michaela Peters	Application submitted in October 2022 by landowner petition to annex approximately 1,870 acres of unincorporated territory to the City of Chula Vista. (The petitioners originally filed an application in October 2021 seeking approval to annex into the San Diego County Sanitation District. This previous application has since been withdrawn.) The affected territory comprises 6 parcels within the Baldwin and Moller communities and is presently undeveloped. The proposal is intended to facilitate the development of a 1,938 residential-unit subdivision with various ancillary uses as part of the "Otay Ranch Resort Village 13" project. The submitted proposal application is incomplete and pending receipt of additional documentation and information from the applicant – including an agreement with LAFCO to proceed with a targeted/informing municipal service review. Staff last corresponded with the applicant in May 2024.
2	RO22-08 OAS22-08	"Martinez - North Avenue Reorganization" - City of Escondido: Annexation - County Service Area No. 135: Detachment - Deer Springs Fire Protection District: Detachment	Joelle Burila	Application submitted in April 2022 by landowner petition and involves an out-of-agency service agreement for wastewater services to a single-family residence totaling 0.25 acres to remedy a failing septic system. The Executive Officer administratively approved the service request on May 3, 2022 with a conditional approval to annex into the City of Escondido. The application is incomplete pending receipt of additional documentation and related information. Staff last corresponded with the applicant in May 2026.
3	RO22-11	"Tummala - Rincon MWD Reorganization" - Rincon del Diablo MWD: Annexation - Metropolitan Water District: Annexation - San Diego CWA: Annexation	Michaela Peters	Application submitted in October 2022 by landowner petition involving annexation of approximately 20 acres of unincorporated territory to make available public water services. The affected territory is currently vacant and undeveloped. The proposal's purpose is to position the landowner to proceed in the future with a development plan with the County of San Diego. The application is incomplete pending receipt of fees, additional documentation and related information. Staff last corresponded with the applicant in July 2023.

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

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

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

	File Number	Proposal Name | Affected Agencies	Project Manager	Proposal Summary
13	OAS25-09	"Mayer – Santa Fe Avenue Out-of-Agency Wastewater Services" - Buena Sanitation District: OAS	Joelle Burila	Application submitted in March 2025 by the Buena Sanitation District on behalf of the landowner requesting out-of-agency wastewater services to facilitate the development of a 46-unit townhouse development on approximately 2.91-acres. The affected territory includes three APNs located in the City of San Marcos. The application is incomplete pending receipt of CEQA documentation, a complete application and related information. Staff last corresponded with the applicant in April 2026.
14	CO25-12	"Kukkal – Valley Court Change of Organization" - Whispering Palms CSD: Annexation	Joelle Burila	Application submitted in May 2025 by landowner petition involving annexation of approximately 2.07 acres to the Whispering Palms Community Services District for the primary purpose of establishing wastewater services. The affected territory is currently undeveloped with plans to develop one single-family residence, one ADU and one pool house. The proposal is currently under administrative review and considered incomplete. Staff last corresponded with the applicant in May 2026.
15	RO26-01	"Turner – Oak Creek Drive Reorganization" - Lakeside WD: Annexation - Lakeside WD: Sphere Action (+) - Padre Dam MWD: Detachment - Padre Dam MWD: Sphere Action (-)	Joelle Burila	Application submitted in January 2026 by the Lakeside Water District on behalf of the landowner involves the annexation of approximately 2.3 acres of unincorporated territory in the Lakeside community to the Lakeside Water District for the primary purpose of establishing potable water service. The affected territory consists of two parcels: both are undeveloped, with plans for the construction of a single-family residence on one parcel while the other parcel is a minor parcel adjustment to remedy an illogical boundary for jurisdictional consistency. The proposal is currently under administrative review and considered incomplete. Staff last corresponded with the applicant in May 2026.
16	RO26-02	"Tipton – Rock Springs Road Reorganization" - Vallecitos Water District: Annexation - Vista Irrigation District: Detachment	Michaela Peters	Application submitted in January 2026 by landowner petition involving annexation of 0.72 acres of unincorporated territory in Escondido to the Vallecitos Water District (VWD) with a concurrent detachment from the Vista Irrigation District (VID). The proposed annexation is intended to facilitate the provision of public wastewater service to an existing single-family residence currently served by a septic system, allowing for conversion to public sewer service. The subject parcel is presently served by VID for potable water; however, detachment from VID is required, as VWD would provide both water and wastewater services under the proposal. The proposal is currently under administrative review and considered incomplete at this time. Staff last corresponded with the applicant in May 2026.

	File Number	Proposal Name | Affected Agencies	Project Manager	Proposal Summary
17	CO26-03	"Palacharla – Artesian Road Change of Organization" - Rancho Santa Fe CSD: Annexation	Meghan Traynor	Application submitted in January 2026 by landowner petition involving annexation of 5 acres of unincorporated territory in the San Dieguito community to the Rancho Santa Fe Community Services District for the purpose of receiving wastewater service to facilitate the planned development of a single-family residence and attached accessory dwelling unit. The proposal is currently under administrative review and considered incomplete at this time. Staff last corresponded with the applicant in May 2026.
18	OAS26-04	"Shallal – Jacumba Gas Out-of-Agency Water Services" - Jacumba Community Services District: OAS	Meghan Traynor	Fee submitted in January 2026 by a landowner for an out-of-agency service agreement to service potable water to 5.0 acres of unincorporated territory by the Jacumba Community Services District. The affected territory is presently developed with two gas stations, each with a commercial building, that were previously served by a private water supplier. The application is incomplete pending receipt of a complete application and related information. Staff last corresponded with the applicant in February 2026.
19	CO26-06	"Leon – Sweetwater Road Change of Organization" - San Diego County Sanitation District: Annexation	Meghan Traynor	Application submitted in March 2026 by landowner petition involving annexation of 2.6 acres of unincorporated territory in the Bonita community to the San Diego County Sanitation District for the purpose of receiving wastewater service to facilitate the planned development of a single-family residence and attached accessory dwelling unit on both parcels. The proposal is currently under administrative review and considered incomplete at this time. Staff last corresponded with the applicant in May 2026.
20	CO26-07	"Priest – Lemon Crest Drive Change of Organization" - San Diego County Sanitation District: Annexation	Joelle Burila	Application submitted in April 2026 by landowner petition involving annexation of 17.2 acres of unincorporated territory in the Lakeside community to the San Diego County Sanitation District for the purpose of receiving wastewater service to facilitate the planned development of a 24-lot single family residential development. The proposal is currently under administrative review and considered incomplete at this time. Staff last corresponded with the applicant in May 2026.

	File Number	Proposal Name | Affected Agencies	Project Manager	Proposal Summary
ACTIVE PROPOSALS | POST COMMISSION ACTION				
21	CO22-20	"Camino De La Fuente - Wick Change of Organization" - San Diego County SD: Annexation	Michaela Peters	Application submitted in November 2022 by landowner petition and involves annexation of approximately 35.3 acres of unincorporated and undeveloped territory to the San Diego County SD to make available public wastewater services. The proposal's purpose is to position the landowner to proceed in the future with a development plan to grade the land for future industrial and outdoor storage uses. The proposal was approved by the Commission on October 2, 2023. The applicant requested a formal extension to September 18, 2025 to satisfy the necessary terms and conditions outlined in the adopted resolution. The applicant filed an additional extension to October 2, 2026.
22	RO19-26	"Valiano - Eden Valley Reorganization" - San Marcos FPD: Annexation - Rancho Santa Fe FPD: Detachment - Rancho Santa Fe FPD: Sphere Action (-) - Rancho Santa Fe FPD: Extraterritorial Fire	Michaela Peters	Application resubmitted in January 2025 by landowner petition and the City of Escondido involving a reorganization as part of the "Valiano" planned development in Harmony Grove. The resubmittal replaced the 2019 application and incorporated settlement-related mitigation measures associated with litigation concerning the County of San Diego's 2024 approval. The reorganization involves the concurrent annexation of 10.8 unincorporated acres to San Marcos FPD with detachment from Rancho Santa Fe FPD and related sphere amendments. The proposal was approved by the Commission on October 6, 2025 and is pending completion of terms and conditions as set forth by the Commission.
23	CO25-11 OAS25-11	"Halstead – Olivewood Lane Change of Organization" - San Diego County Sanitation District: Annexation	Joelle Burila	Application submitted in April 2025 by the San Diego County Sanitation District on behalf of the landowner requesting out-of-agency wastewater services to accommodate an existing single-family residence to remedy a failing septic system. The Executive Officer administratively approved the service request on April 23, 2025. The administrative approval was conditioned on the landowner submitting a complete change of organization application to LAFCO for formal annexation into the District within one calendar year. The Commission conditionally approved the out-of-agency service agreement on June 2, 2025. The change of organization proposal was approved by the Commission on February 2, 2026 and is now pending completion of terms and conditions set forth by the Commission.
24	CO25-15	"Jaiswal – Rio Vista Road Change of Organization" - Rancho Santa Fe CSD: Annexation	Meghan Traynor	Application submitted in October 2025 by landowner petition involving annexation of approximately 2.6 acres of unincorporated territory in the San Dieguito community to the Rancho Santa Fe Community Services District for the primary purpose of establishing wastewater service. The affected territory consists of four parcels: three are developed with single-family residences, while one remains undeveloped with no current plans for development on any of the parcels. The proposal was approved by the Commission on April 6, 2026 and is pending completion of terms and conditions set forth by the Commission.

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

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

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AGENDA REPORT
Consent | Information

June 15, 2026

TO: Chair Becker and Commissioners

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

SUBJECT: **Legislative Report**

SUMMARY

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

BACKGROUND

San Diego LAFCO staff actively monitors pending and proposed legislation affecting the Commission's regulatory and planning responsibilities, consistent with the adopted workplan. Staff's monitoring efforts are supported through the Commission's membership in the Alliance of California LAFCOs (Alliance) including its contracted lobbyist, Politico Group, and government affairs consultant Patrick Bouteller. Staff provides the Commission with monthly legislative updates.

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Stephen Whitburn, City of San Diego
Marni von Wilpert, Alt., City of San Diego
Vice Chair Barry Willis, Alpine Fire Protection
Jo MacKenzie, Vista Irrigation
David Drake, Alt., Rincon del Diablo
Brigette Browning, General Public
Eileen Delaney, Alt., General Public

California State Legislature | 2025–2026 Regular Session

The California Legislature reconvened for the second year of the 2025–2026 Legislative Session in January 2026. The deadline for introducing new legislation passed in February 2026, and measures have since been referred to their respective policy committees for consideration. All legislation advancing through both houses must be passed by August 31, 2026, the statutory deadline for bill passage for the 2026 Legislative Session.

DISCUSSION

This item presents legislative updates on proposals of interest to San Diego LAFCO for the Commission's receipt and consideration. A total of thirteen (13) bills are tracked: nine (9) measures that would directly affect LAFCO operations and four (4) measures that, while not directly impacting LAFCO, are of interest to the Commission. Summaries and status of each bill are provided in Attachment One. Commissioners may pull the item for discussion and provide general direction to staff.

ANALYSIS

None.

RECOMMENDATION

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

ALTERNATIVES FOR ACTION

None.

PROCEDURES

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

On behalf of LAFCO staff,

Joelle Burila
Analyst I

Attachment:

1) LAFCO Tracked CA Legislative Bills as of June 5, 2026

CALIFORNIA STATE LEGISLATURE | 2025–2026 REGULAR SESSION							
	Bill Number [1]	Author	Title	Summary / Notes	Current Status	Introduced / Last Amended	Last Action
ASSEMBLY BILLS							
1	AB 259	Rubio, Blanca	Open Meetings and Continued Access to Teleconferences	This bill is of statewide interest and would extend the authorization for legislative bodies of local agencies – including LAFCOs – to use modified teleconferencing procedures during declared emergencies through January 1, 2030. It preserves existing requirements related to public notice and agenda posting. San Diego LAFCO adopted a support position in March 2025. The bill passed the Assembly in 2025 and remains in the Senate Local Government Committee with no new hearing scheduled at this time.	Senate Local Government Committee	Introduced in January 2025; Last amended in April 2025	6/27/2025 In committee: Hearing postponed by committee.
2	AB 356	Patel, Darshana	Healthcare Districts in Northern San Diego County	This bill is of local interest and was initially introduced to establish a state-directed working group to assess healthcare access in northern San Diego County, with a focus on the Palomar Healthcare District's service area. In response to the Commission taking a support-if-amended position in June 2025, the bill has been amended to include LAFCO as a listed stakeholder, and in doing so connecting to the Commission's oversight of Palomar and current municipal service review activities. LAFCO Consultant Adam Wilson provided supportive testimony for the author in conjunction with them accepting the Commission's amendments. The bill passed the Assembly in 2025 and remains in the Senate Committee on Local Government with no new hearings scheduled at this time.	Senate Local Government Committee	Introduced in February 2025; Last amended in June 2025	7/10/2025 Re-referred to Com. on L. GOV.
3	AB 1600	Arambula, Joaquin	Disadvantaged Communities: Farmworker Communities	This bill is of statewide interest and would expand the definition of "disadvantaged communities" to include qualifying farmworker communities, and require CalEPA, in consultation with relevant state departments, to update screening tools and guidance to ensure their inclusion in eligibility determinations and benefit calculations. For LAFCOs, this change would affect municipal service reviews and sphere of influence updates by requiring evaluation of service needs for these newly included farmworker communities. After being lifted from the Assembly Appropriations suspense file on May 14, 2026, the bill advanced to the Assembly Floor, where it passed on May 26, 2026. AB 1600 has since moved to the Senate, where it was read for the first time on May 27, 2026 and referred to the Senate Committee on Environmental Quality.	Senate Environmental Quality Committee	Introduced in January 2026; Last amended in March 2026	6/3/2026 Referred to Com. on E.Q.

[1] Bill numbers are hyperlinked to their respective legislative information pages

CALIFORNIA STATE LEGISLATURE | 2025–2026 REGULAR SESSION							
	Bill Number [1]	Author	Title	Summary / Notes	Current Status	Introduced / Last Amended	Last Action
4	AB 1821	Pacheco, Blanca	California Public Records Act: Agency Response Time	This bill is of statewide interest and would extend the deadline for public agencies to provide an initial response to a public records request, by converting the current "calendar day" deadlines to a "business day" standard. The rationale is to give agencies – particularly smaller ones with limited staff – additional time to properly respond to requests. The bill passed the Assembly on May 27, 2026 and was sent to the Senate, where it was read for the first time on May 28,2026 and referred to the Senate Rules Committee for assignment.	Senate Rules Committee	Introduced in February 2026; Last amended in April 2026	5/28/2026 In Senate. Read first time. To Com. on RLS. for assignment.
5	AB 2083	Jackson, Corey	Moreno Valley-Perris Childcare Special District	This bill is locally focused with statewide implications and, as the Moreno Valley Perris Childcare Special District Act, would establish a new special district covering the Cities of Moreno Valley and Perris and their spheres of influence for the purpose of expanding childcare capacity and operating universal childcare programs. The district would be governed by a five-member board appointed by the two cities and other designated entities. The board would develop a plan of services for LAFCO and oversee district operations, including authority to hire staff and operate or contract for childcare facilities. Notably, the bill would establish the district directly by statute, with LAFCO oversight applying thereafter. After being placed on the Assembly Appropriations suspense file in late April, the committee held the measure under submission during its May 14, 2026 fiscal review hearing, halting its advancement for the remainder of the legislative session.	Assembly Appropriations Committee – **Dead**	Introduced in February 2026; Last amended in April 2026	5/14/2026 In committee: Held under submission.

[1] Bill numbers are hyperlinked to their respective legislative information pages

CALIFORNIA STATE LEGISLATURE | 2025–2026 REGULAR SESSION							
	Bill Number [1]	Author	Title	Summary / Notes	Current Status	Introduced / Last Amended	Last Action
SENATE BILLS							
6	SB 802	Ashby, Angelique	Sacramento Area Housing and Homelessness Agency	This bill is locally focused with an original focus to restructure the joint powers authority currently operating as the Sacramento Housing and Redevelopment Agency into a new Sacramento Area Housing and Homelessness Agency, centralizing housing and homelessness services across Sacramento County under a single regional entity. The bill uniquely mandates the Sacramento LAFCO to form and appoint an independent task force to facilitate the consolidation of multiple entities into the new agency, which represents a bill-specific expansion of LAFCO duties into regional housing and homelessness governance. After passing the Senate in 2025, the bill was amended in the Assembly in early 2026, including additional author amendments adopted on April 28 and April 30, 2026. It is currently under review by the Assembly Committee on Housing and Community Development and a hearing will be considered at a later time.	Assembly Committee on Housing and Community Development	Introduced in February 2025; Last amended in June 2026	6/3/2026 June 10 hearing postponed by committee.
7	SB 910	Seyarto, Kelly	Municipal Water Districts Water Service: Indian Lands	The bill is of statewide interest with local implications and would extend, from January 1, 20227 to January 1, 2032, the sunset on existing authority for municipal water districts to apply to LAFCO for authorization to provide water service to eligible Indian lands located outside district boundaries. If approved, the extension preserves an existing pathway utilized on multiple occasions by tribes in San Diego County. Following the cancellation of its March 18 hearing at the author's request, the bill remained in the Senate Committee on Local Government with no additional action taken. It did not return for further consideration and did not advance out of committee prior to the legislative deadline.	Senate Local Government Committee – **Dead**	Introduced in January 2026	3/12/2026 March 18 set for first hearing canceled at the request of author.

[1] Bill numbers are hyperlinked to their respective legislative information pages

CALIFORNIA STATE LEGISLATURE | 2025–2026 REGULAR SESSION							
	Bill Number [1]	Author	Title	Summary / Notes	Current Status	Introduced / Last Amended	Last Action
8	SB 994	Cabaldon, Christopher	Local Government: Nondisclosure Agreements	This bill is of statewide interest with direct LAFCO applicability and would prohibit local government officials and their staff from entering into nondisclosure agreements relating to public business that restrict information sharing among fellow officials. After being ordered to second reading under Senate Rule 28.8 on May 14, 2026 the bill passed the Senate on May 19, 2026. It has since moved to the Assembly, where it was referred to the Committees on Judiciary and Local Government.	Assembly Judiciary and Local Government Committees	Introduced in February 2026; Last amended in April 2026	5/26/2026 Referred to Coms. on JUD. and L. GOV.
9	SB 1291	Gonzalez, Lena	Mutual Water Companies	This bill is of statewide interest and would strengthen transparency and accountability for mutual water companies (MWCs) operating public water systems by requiring larger MWCs to offer teleconference meeting access, post notices and documents online at no charge, and annually distribute consumer confidence reports to customers. It also directs the State Water Resources Control Board to assess MWC governance and compliance by December 31, 2027, with a focus on disadvantaged communities, and recommends governance alternatives if current structures are found inadequate. After being placed on the suspense file in early May, the bill was taken up during the May 14, 2026 Senate Appropriations fiscal review hearing. The committee held the measure in committee and under submission, halting its advancement for the remainder of the legislative session.	Senate Appropriations Committee – **Dead**	Introduced in February 2026; Last amended in March 2026	5/14/2026 May 14 hearing: Held in committee and under submission.

[1] Bill numbers are hyperlinked to their respective legislative information pages

CALIFORNIA STATE LEGISLATURE | 2025–2026 REGULAR SESSION							
	Bill Number [1]	Author	Title	Summary / Notes	Current Status	Introduced / Last Amended	Last Action
MONITOR ONLY (ASSEMBLY AND SENATE BILLS)							
10	AB 2296	Papan, Dianne	Planning and Zoning: Housing Element: Regional Housing Needs Allocation	This bill extends various timelines in the Regional Housing Needs Determination and Allocation (RHNA) process and requires the Department of Housing and Community Development (HCD) to provide specific analysis or recommended language to local governments to remedy deficiencies in their General Plan housing elements. The bill passed the Assembly on May 27, 2026 and moved to the Senate, where it was read for the first time on May 28, 2026 and referred to the Senate Rules Committee for assignment.	Senate Rules Committee	Introduced in February 2026; Last amended May 2026	5/28/2026 In Senate. Read first time. To Com. on RLS. for assignment.
11	AB 2433	Alvarez, David	Housing Development: Density Bonus	This bill makes numerous amendments to Density Bonus Law (DBL), including establishing a by-right ministerial review process for infill housing development projects, providing additional incentives for homeownership projects, and amending floor area ratio (FAR) provisions. After passing out of Assembly Appropriations on May 13, 2026, the bill advanced to the Assembly Floor, where it passed on May 27, 2026. This bill is now in the Senate, where it was read for the first time on May 28, 2026 and referred to the Senate Rules Committee for assignment.	Senate Rules Committee	Introduced in February 2026; Last amended April 2026	5/28/2026 In Senate. Read first time. To Com. on RLS. for assignment.
12	SB 866	Blakespear, Catherine	Planning and Zoning: Housing Element: Unhoused Population	For local governments that do not receive Homeless Housing, Assistance, and Prevention (HHAP) program funding, this bill would require the General Plan Housing Element to include data on the unhoused population and a description of key actions the jurisdiction will take to reduce homelessness. The bill passed the Senate on May 27, 2026. It is now in the Assembly and has been referred to the Committee on Housing and Community Development.	Assembly Committee on Housing and Community Development	Introduced in January 2026; Last amended April 2026	6/4/2026 Referred to Com. on H. & C.D.

[1] Bill numbers are hyperlinked to their respective legislative information pages

CALIFORNIA STATE LEGISLATURE | 2025–2026 REGULAR SESSION							
	Bill Number [1]	Author	Title	Summary / Notes	Current Status	Introduced / Last Amended	Last Action
13	SB 1085	Durazo, Maria	Water Supply Planning: Housing Developments	This bill streamlines CEQA water supply assessment requirements for certain housing development projects by triggering earlier identification of public water systems, cutting the submission deadline from 90 to 45 days, and waiving the public meeting approval requirement. This bill passed the Senate on May 18, 2026 and has since moved to the Assembly, where it was referred to the Committees on Water, Parks, and Wildlife and Local Government for policy review.	Assembly Committees on Water, Parks, and Wildlife and Local Government	Introduced in February 2026; Last amended April 2026	5/26/2026 Referred to Coms. on W., P., & W. and L. GOV.
PENDING LEGISLATION							
14	UC Berkely Report Legislation			Developed under the Commission's current adopted workplan and informed by a University of California, Berkeley report, the proposal sought to strengthen LAFCO authority and accountability in addressing water and wastewater-related public health and safety concerns, while expanding transparency requirements for affected agencies and mobile home park community water systems. Although the bill did not advance this legislative session, the item has been continued to the upcoming workplan, and LAFCO staff will continue refining the proposal with stakeholders for potential introduction in 2027.			

[1] Bill numbers are hyperlinked to their respective legislative information pages

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AGENDA REPORT
Consent | Information

June 15, 2026

TO: Chair Becker and Commissioners

FROM: Priscilla Mumpower, Assistant Executive Officer
Michaela Peters, Analyst II

SUBJECT: **Notice of New Professional Services Agreement with RSG, Inc. | Governance Study on the Oceanside Small Craft Harbor District**

SUMMARY

The San Diego County Local Agency Formation Commission (LAFCO) will receive notice of a new professional services agreement executed by the Executive Officer with RSG, Inc. to support the Commission's scheduled governance study on the Oceanside Small Craft Harbor District. The two-phase agreement commits RSG to provide technical analysis (financial evaluation and enterprise fund tracking) and community engagement (soliciting and evaluating current and future needs), and to prepare a written study presenting and evaluating the available options. Recommendations on which options to pursue will be developed by LAFCO staff for the Commission's consideration. The agreement advances the Commission's adopted workplan and authorizes consultant services in an amount not to exceed $70,000, funded through Commission resources and a $30,000 grant from the County of San Diego, the latter noticed separately as Agenda Item No. 5f. The Executive Officer selected RSG and executed the agreement under the Commission's procurement delegation authority, based on the unanimous recommendation of the working group convened by LAFCO staff and comprising community stakeholders (slip users and harbor retailers) and City of Oceanside officials. As set by the Commission, the study will evaluate the District's finances in greater depth than the recent municipal service review and assess the current governance structure and potential options relative to community needs. This item is provided for information only.

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Brigette Browning, General Public
Eileen Delaney, Alt., General Public

BACKGROUND

The scheduled governance study on the Oceanside Small Craft Harbor District is a high-priority item (No. 10) in the Commission's newly adopted 2026-2027 workplan – elevated from the mid-tier ranking (High-Medium, No. 15) it holds in the current 2025-2026 workplan. Placement of the project ties to the recently completed municipal service review on the Oceanside region and involves focusing on the District's financial resources and related commitments in covering baseline service conditions as well as potential adjustments based on stakeholder input. This assessment of financial capacity relative to current and prospective service arrangements will directly inform the evaluation of potential governance alternatives. A key part of the study is considering potential changes to the District's service functions. Work this fiscal year sets the basis for upcoming work – specifically staff has convened a stakeholder working group of slip users, harbor retailers, and City of Oceanside representatives, held several meetings to build consensus on the scope of work, and most recently solicited, vetted, and interviewed consultants, and selected RSG, Inc. to lead the preparation of the study.

DISCUSSION

This item provides notice of a recently executed professional services agreement between San Diego LAFCO via the Executive Officer's delegated procurement authority and RSG, Inc. to assist with preparation of the calendared governance study on the Oceanside Small Craft Harbor District. The agreement formally commenced April 2026 and is anticipated to conclude by April 2027. Consultant compensation is limited to a not-to-exceed amount of $70,000. Project funding is anticipated to consist of $40,000 from budget resources and $30,000 from a grant awarded by the County of San Diego, as further discussed under Agenda Item No. 5f. The agreement is divided into two distinct phases as described below.

- Phase I focuses on stakeholder outreach, issue identification, and development of a detailed workplan to guide the study. This initial phase is intended to ensure broad stakeholder participation, establish a clear understanding of key issues, and refine the analytical framework before substantive evaluation begins.

- Phase II will involve a comprehensive assessment of the Harbor District's finances, operations, governance structure, and organizational effectiveness, culminating in the identification and evaluation of potential governance alternatives.

The agreement is provided as Attachment One.

ANALYSIS

None.

RECOMMENDATION

This item is presented to San Diego LAFCO for information only, reflecting the Commission's interest in keeping its members and the public informed of new professional services agreements executed under the Executive Officer's procurement delegation authority.

ALTERNATIVES FOR ACTION

None.

PROCEDURES

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

On behalf of the Executive Officer,

Priscilla Mumpower
Assistant Executive Officer

Attachment:

1) Professional Services Agreement: RSG, Inc.

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Docusign Envelope ID: A583C02A-8584-8C97-819C-8EDFC7F55DA2

PROFESSIONAL SERVICES AGREEMENT
FOR CONSULTANT SERVICES
(San Diego County Local Agency Formation Commission / RSG, Inc.)

1. IDENTIFICATION

This PROFESSIONAL SERVICES AGREEMENT ("Agreement") is entered into by and between San Diego County Local Agency Formation Commission, a California public agency, corporate and politic ("Commission"), and RSG, Inc., a California corporation ("Consultant").

2. RECITALS

2.1. Commission has determined that it requires the following professional services from a consultant: Developing a detailed workplan for a comprehensive governance and financial study of the Oceanside Small Craft Harbor District.

2.2. Consultant represents that it is fully qualified to perform such professional services by virtue of its experience and the training, education and expertise of its principals and employees. Consultant further represents that it is willing to accept responsibility for performing such services in accordance with the terms and conditions set forth in this Agreement.

2.3. Consultant represents that it has no known relationships with third parties, Commissioners, or employees of the Commission which would (1) present a conflict of interest with the rendering of services under this Agreement under Government Code Section 1090, the Political Reform Act (Government Code Section 81000 *et seq.*), or other applicable law, (2) prevent Consultant from performing the terms of this Agreement, or (3) present a significant opportunity for the disclosure of confidential information.

NOW, THEREFORE, for and in consideration of the mutual covenants and conditions herein contained, the Commission and Consultant agree as follows:

3. DEFINITIONS

3.1. "Scope of Services": Such professional services as are set forth in Consultant's March 23, 2026 proposal to the Commission attached hereto as Exhibit A and incorporated herein by this reference.

3.2. "Approved Fee Schedule": Consultant's compensation rates are set forth in the fee schedule attached as the last page to Exhibit A and incorporated herein by this reference. This fee schedule shall remain in effect for the duration of this Agreement unless modified in writing by mutual agreement of the parties.

3.3. "Maximum Amount": The highest total compensation and costs payable to Consultant by Commission under this Agreement. The Maximum Amount under this Agreement is Seventy Thousand Dollars ($70,000).

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3.4. "Commencement Date": April 15, 2026.

3.5. "Termination Date": April 15, 2027.

3.6. "Commission Agreement Administrator" means Priscilla Mumpower, Assistant Executive Officer.

3.7. "Consultant Project Administrator" means Jim Simon, Principal.

4. TERM

The term of this Agreement shall commence at 12:00 a.m. on the Commencement Date and shall expire at 11:59 p.m. on the Termination Date unless extended by written agreement of the parties or terminated earlier under Section 15 ("Termination") below. Consultant may request extensions of time to perform the services required hereunder. Such extensions shall be effective if authorized in advance by Commission in writing and incorporated in written amendments to this Agreement.

5. CONSULTANT'S DUTIES

5.1. **Services**. Consultant shall perform the services identified in the Scope of Services. Commission shall have the right to request, in writing, changes in the Scope of Services. Any such changes mutually agreed upon by the parties, and any corresponding increase or decrease in compensation, shall be incorporated by written amendment to this Agreement.

5.2. **Coordination with Commission**. In performing services under this Agreement, Consultant shall coordinate all contact with Commission through its Agreement Administrator.

5.3. **Budgetary Notification**. Consultant shall notify the Agreement Administrator, in writing, when fees and expenses incurred under this Agreement have reached eighty percent (80%) of the Maximum Amount. Consultant shall concurrently inform the Agreement Administrator, in writing, of Consultant's estimate of total expenditures required to complete its current assignments before proceeding, when the remaining work on such assignments would exceed the Maximum Amount.

5.4. **Business License.** Consultant shall obtain and maintain in force a Commission business license for the duration of this Agreement.

5.5. **Professional Standards.** Consultant shall perform all work to the standards of Consultant's profession and in a manner reasonably satisfactory to Commission. Consultant shall keep itself fully informed of and in compliance with all local, state, and federal laws, rules, and regulations in any manner affecting the performance of this Agreement, including all Cal/OSHA requirements, the conflict of interest provisions of Government Code § 1090 and the Political Reform Act (Government Code § 81000 et seq.).

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5.6. **Avoid Conflicts.** During the term of this Agreement, Consultant shall not perform any work for another person or entity for whom Consultant was not working at the Commencement Date if such work would present a conflict interfering with performance under this Agreement. However, Commission may consent in writing to Consultant's performance of such work.

5.7. **Campaign Contributions.** This Agreement is subject to Government Code Section 84308. Consultant shall disclose any contribution in an amount of more than five hundred dollars ($500) made within the preceding 12 months by the Consultant or the Consultant's agent to a Commission Officer or his or her committee. In the case of a contribution, Consultant shall request and provide a signed copy of the Campaign Contribution Disclosure Form to the Commission prior to, or concurrent with, the Consultant's execution of this Agreement.

5.8. **Appropriate Personnel.** Consultant has, or will secure at its own expense, all personnel required to perform the services identified in the Scope of Services. All such services shall be performed by Consultant or under its supervision, and all personnel engaged in the work shall be qualified to perform such services. No change shall be made in Consultant's project administrator without Commission's prior written consent.

5.9. **Substitution of Personnel.** Any persons named in the proposal or Scope of Services constitutes a promise to the Commission that those persons will perform and coordinate their respective services under this Agreement. Should one or more of such personnel become unavailable, Consultant may substitute other personnel of at least equal competence upon written approval of Commission. If Commission and Consultant cannot agree as to the substitution of key personnel, Commission may terminate this Agreement for cause.

5.10. **Permits and Approvals.** Consultant shall obtain, at its sole cost and expense, all permits and regulatory approvals necessary for Consultant's performance of this Agreement. This includes, but shall not be limited to, professional licenses, encroachment permits and building and safety permits and inspections.

5.11. **Notification of Organizational Changes.** Consultant shall notify the Agreement Administrator, in writing, of any change in name, ownership or control of Consultant's firm or of any subcontractor. Change of ownership or control of Consultant's firm may require an amendment to this Agreement.

5.12. **Records.** Consultant shall maintain any and all ledgers, books of account, invoices, vouchers, canceled checks, and other records or documents evidencing or relating to charges for services or expenditures and disbursements charged to Commission under this Agreement for a minimum of three (3) years, or for any longer period required by law, from the date of final payment to Consultant under this Agreement. All such documents shall be made available for inspection, audit, and/or copying at any time during regular business hours, upon oral or written request of Commission. In addition, pursuant to Government Code Section 8546.7, if the amount of public funds expended

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under this Agreement exceeds ten thousand dollars, all such documents and this Agreement shall be subject to the examination and audit of the State Auditor, at the request of Commission or as part of any audit of Commission, for a period of three (3) years after final payment under this Agreement.

5.13. **Skilled and Trained Workforce Requirement.** When the use of a skilled and trained workforce is required to complete a contract pursuant to existing law, this contract is subject to such requirement and Consultant agrees to use a skilled and trained workforce.

5.14. **Conflict of Interest Disclosure**. Pursuant to Government Code Section 1097.6, subdivision (c)(1), "[The] [C]onsultant's duties and services under this agreement shall not include preparing or assisting the public entity with any portion of the public entity's preparation of a request for proposals, request for qualifications, or any other solicitation regarding a subsequent or additional contract with the public entity. The public entity entering this agreement shall at all times retain responsibility for public contracting, including with respect to any subsequent phase of this project. [C]onsultant's participation in the planning, discussions, or drawing of project plans or specifications shall be limited to conceptual, preliminary, or initial plans or specifications. [C]onsultant shall cooperate with the public entity to ensure that all bidders for a subsequent contract on any subsequent phase of this project have access to the same information, including all conceptual, preliminary, or initial plans or specifications prepared by [Consultant] pursuant to this agreement."

6. SUBCONTRACTING

6.1. **General Prohibition.** This Agreement covers professional services of a specific and unique nature. Except as otherwise provided herein, Consultant shall not assign or transfer its interest in this Agreement or subcontract any services to be performed without amending this Agreement.

6.2. **Consultant Responsible.** Consultant shall be responsible to Commission for all services to be performed under this Agreement.

6.3. **Identification in Fee Schedule.** All subcontractors shall be specifically listed and their billing rates identified in the Approved Fee Schedule, Exhibit B. Any changes must be approved by the Agreement Administrator in writing as an amendment to this Agreement.

6.4. **Compensation for Subcontractors.** Commission shall pay Consultant for work performed by its subcontractors, if any, only at Consultant's actual cost plus an approved mark-up as set forth in the Approved Fee Schedule, Exhibit B. Consultant shall be liable and accountable for any and all payments, compensation, and federal and state taxes to all subcontractors performing services under this Agreement. Commission shall not be liable for any payment, compensation, or federal and state taxes for any subcontractors.

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7. COMPENSATION

7.1. **General.** Commission agrees to compensate Consultant for the services provided under this Agreement, and Consultant agrees to accept payment in accordance with the Fee Schedule in full satisfaction for such services. Compensation shall not exceed the Maximum Amount. Consultant shall not be reimbursed for any expenses unless provided for in this Agreement or authorized in writing by Commission in advance.

7.2. **Invoices.** Consultant shall submit to Commission an invoice, on a monthly basis or as otherwise agreed to by the Agreement Administrator, for services performed pursuant to this Agreement. Each invoice shall identify the Maximum Amount, the services rendered during the billing period, the amount due for the invoice, and the total amount previously invoiced. All labor charges shall be itemized by employee name and classification/position with the firm, the corresponding hourly rate, the hours worked, a description of each labor charge, and the total amount due for labor charges.

7.3. **Taxes.** Commission shall not withhold applicable taxes or other payroll deductions from payments made to Consultant except as otherwise required by law. Consultant shall be solely responsible for calculating, withholding, and paying all taxes.

7.4. **Disputes.** The parties agree to meet and confer at mutually agreeable times to resolve any disputed amounts contained in an invoice submitted by Consultant.

7.5. **Additional Work.** Consultant shall not be reimbursed for any expenses incurred for work performed outside the Scope of Services unless prior written approval is given by the Commission through a fully executed written amendment. Consultant shall not undertake any such work without prior written approval of the Commission.

7.6. **Commission Satisfaction as Precondition to Payment.** Notwithstanding any other terms of this Agreement, no payments shall be made to Consultant until Commission is satisfied that the services are satisfactory.

7.7. **Right to Withhold Payments.** If Consultant fails to provide a deposit or promptly satisfy an indemnity obligation described in Section 10, Commission shall have the right to withhold payments under this Agreement to offset that amount.

8. OWNERSHIP OF WRITTEN PRODUCTS

All reports, documents or other written material, and all electronic files, including computer-aided design files, developed by Consultant in the performance of this Agreement (such written material and electronic files are collectively known as "written products") shall be and remain the property of Commission without restriction or limitation upon its use or dissemination by Commission except as provided by law. Consultant may take and retain copies of such written products as desired, but no such written products shall be the subject of a copyright application by Consultant.

9. RELATIONSHIP OF PARTIES

9.1. General. Consultant is, and shall at all times remain as to Commission, a wholly independent contractor.

9.2. No Agent Authority. Consultant shall have no power to incur any debt, obligation, or liability on behalf of Commission or otherwise to act on behalf of Commission as an agent. Neither Commission nor any of its agents shall have control over the conduct of Consultant or any of Consultant's employees, except as set forth in this Agreement. Consultant shall not represent that it is, or that any of its agents or employees are, in any manner employees of Commission.

9.3. Independent Contractor Status. Under no circumstances shall Consultant or its employees look to the Commission as an employer. Consultant shall not be entitled to any benefits. Commission makes no representation as to the effect of this independent contractor relationship on Consultant's previously earned California Public Employees Retirement System ("CalPERS") retirement benefits, if any, and Consultant specifically assumes the responsibility for making such a determination. Consultant shall be responsible for all reports and obligations including, but not limited to: social security taxes, income tax withholding, unemployment insurance, disability insurance, and workers' compensation, and other applicable federal and state taxes.

9.4. **Indemnification of CalPERS Determination.** In the event that Consultant or any employee, agent, or subcontractor of Consultant providing services under this Agreement claims or is determined by a court of competent jurisdiction or CalPERS to be eligible for enrollment in CalPERS as an employee of the Commission, Consultant shall indemnify, defend, and hold harmless Commission for the payment of any employee and/or employer contributions for CalPERS benefits on behalf of Consultant or its employees, agents, or subcontractors, as well as for the payment of any penalties and interest on such contributions, which would otherwise be the responsibility of Commission.

10. INDEMNIFICATION

10.1. **Definitions.** For purposes of this Section 10 , "Consultant" shall include Consultant, its officers, employees, servants, agents, or subcontractors, or anyone directly or indirectly employed by either Consultant or its subcontractors, in the performance of this Agreement. "Commission" shall include Commission, its officers, agents, employees and volunteers.

10.2. **Consultant to Indemnify Commission.** To the fullest extent permitted by law, Consultant shall indemnify, hold harmless, and defend Commission from and against any and all claims, losses, costs or expenses for any personal injury or property damage arising out of or in connection with Consultant's alleged negligence, recklessness or willful misconduct or other wrongful acts, errors or omissions of Consultant or failure to comply with any provision in this Agreement.

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10.3. **Scope of Indemnity.** Personal injury shall include injury or damage due to death or injury to any person, whether physical, emotional, consequential or otherwise, Property damage shall include injury to any personal or real property. Consultant shall not be required to indemnify Commission for such loss or damage as is caused by the sole active negligence or willful misconduct of the Commission.

10.4. **Attorneys Fees.** Such costs and expenses shall include reasonable attorneys' fees for counsel of Commission's choice, expert fees and all other costs and fees of litigation. Consultant shall not be entitled to any refund of attorneys' fees, defense costs or expenses in the event that it is adjudicated to have been non-negligent.

10.5. **Defense Deposit.** The Commission may request a deposit for defense costs from Consultant with respect to a claim. If the Commission requests a defense deposit, Consultant shall provide it within 15 days of the request.

10.6. **Waiver of Statutory Immunity.** The obligations of Consultant under this Section 10 are not limited by the provisions of any workers' compensation act or similar act. Consultant expressly waives its statutory immunity under such statutes or laws as to Commission.

10.7. **Indemnification by Subcontractors.** Consultant agrees to obtain executed indemnity agreements with provisions identical to those set forth here in this Section 10 from each and every subcontractor or any other person or entity involved in the performance of this Agreement on Consultant's behalf.

10.8. **Insurance Not a Substitute.** Commission does not waive any indemnity rights by accepting any insurance policy or certificate required pursuant to this Agreement. Consultant's indemnification obligations apply regardless of whether or not any insurance policies are determined to be applicable to the claim, demand, damage, liability, loss, cost or expense.

11. INSURANCE

11.1. **Insurance Required.** Consultant shall maintain insurance as described in this section and shall require all of its subcontractors, consultants, and other agents to do the same. Approval of the insurance by the Commission shall not relieve or decrease any liability of Consultant Any requirement for insurance to be maintained after completion of the work shall survive this Agreement.

11.2. **Documentation of Insurance.** Commission will not execute this agreement until it has received a complete set of all required documentation of insurance coverage. However, failure to obtain the required documents prior to the work beginning shall not waive the Consultant's obligation to provide them. Consultant shall file with Commission:

- Certificate of Insurance, indicating companies acceptable to Commission, with a Best's Rating of no less than A:VII showing. The Certificate of Insurance must include the following reference: District Governance Study

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- Documentation of Best's rating acceptable to the Commission.
- Original endorsements effecting coverage for all policies required by this Agreement.
- Complete, certified copies of all required insurance policies, including endorsements affecting the coverage.

11.3. **Coverage Amounts.** Insurance coverage shall be at least in the following minimum amounts:

• Professional Liability Insurance:	$1,000,000 per occurrence, $2,000,000 aggregate
• General Liability:	
• General Aggregate:	$2,000,000
• Products Comp/Op Aggregate	$2,000,000
• Personal & Advertising Injury	$1,000,000
• Each Occurrence	$1,000,000
• Fire Damage (any one fire)	$ 50,000
• Medical Expense (any 1 person)	$ 5,000
• Workers' Compensation:	
• Workers' Compensation	Statutory Limits
• EL Each Accident	$1,000,000
• EL Disease - Policy Limit	$1,000,000
• EL Disease - Each Employee	$1,000,000
• Automobile Liability	
• Any vehicle, combined single limit	$1,000,000

Any available insurance proceeds broader than or in excess of the specified minimum insurance coverage requirements or limits shall be available to the additional insured. Furthermore, the requirements for coverage and limits shall be the greater of (1) the minimum coverage and limits specified in this Agreement, or (2) the broader coverage and maximum limits of coverage of any insurance policy or proceeds available to the named insured

11.4. **General Liability Insurance.** Commercial General Liability Insurance shall be no less broad than ISO form CG 00 01. Coverage must be on a standard Occurrence form. Claims-Made, modified, limited or restricted Occurrence forms are not acceptable.

11.5. **Worker's Compensation Insurance.** Consultant is aware of the provisions of Section 3700 of the Labor Code which requires every employer to carry Workers' Compensation (or to undertake equivalent self-insurance), and Consultant will comply with such provisions before commencing the performance of the work of this Agreement. If such insurance is underwritten by any agency other than the State Compensation Fund, such agency shall be a company authorized to do business in the State of California.

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11.6. **Automobile Liability Insurance.** Covered vehicles shall include owned if any, non-owned, and hired automobiles and, trucks.

11.7. **Professional Liability Insurance or Errors & Omissions Coverage.** The deductible or self-insured retention may not exceed $50,000. If the insurance is on a Claims-Made basis, the retroactive date shall be no later than the commencement of the work. Coverage shall be continued for two years after the completion of the work by one of the following: (1) renewal of the existing policy; (2) an extended reporting period endorsement; or (3) replacement insurance with a retroactive date no later than the commencement of the work under this Agreement.

11.8. **Claims-Made Policies.** If any of the required policies provide coverage on a claims-made basis the Retroactive Date must be shown and must be before the date of the contract or the beginning of contract work. Claims-Made Insurance must be maintained and evidence of insurance must be provided for at least five (5) years after completion of the contract of work. If coverage is canceled or non-renewed, and not replaced with another claims-made policy form with a Retroactive Date prior to the contract effective date, the Consultant must purchase "extended reporting" coverage for a minimum of five (5) years after completion of contract work.

11.9. **Additional Insured Endorsements.** The Commission, its Commissioners , officers, and employees of San Diego Local Agency Formation Commission must be endorsed as an additional insured for each policy required herein, other than Professional Errors and Omissions and Worker's Compensation, for liability arising out of ongoing and completed operations by or on behalf of the Consultant. Consultant's insurance policies shall be primary as respects any claims related to or as the result of the Consultant's work. Any insurance, pooled coverage or self-insurance maintained by the Commission, its elected or appointed officials, directors, officers, agents, employees, volunteers, or consultants shall be non-contributory. All endorsements shall be signed by a person authorized by the insurer to bind coverage on its behalf. General liability coverage can be provided using an endorsement to the Consultant's insurance at least as broad as ISO Form CG 20 10 11 85 or both CG 20 10 and CG 20 37.

11.10. **Failure to Maintain Coverage.** In the event any policy is canceled prior to the completion of the project and the Consultant does not furnish a new certificate of insurance prior to cancellation, Commission has the right, but not the duty, to obtain the required insurance and deduct the premium(s) from any amounts due the Consultant under this Agreement. Failure of the Consultant to maintain the insurance required by this Agreement, or to comply with any of the requirements of this section, shall constitute a material breach of this Agreement.

11.11. **Notices.** Consultant shall provide immediate written notice if (1) any of the required insurance policies is terminated; (2) the limits of any of the required policies are reduced; (3) or the deductible or self-insured retention is increased. Consultant shall provide no less than 30 days' notice of any cancellation or material change to policies required by this Agreement. Consultant shall provide proof that cancelled or expired

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policies of insurance have been renewed or replaced with other policies providing at least the same coverage. Such proof will be furnished at least two weeks prior to the expiration of the coverages. The name and address for Additional Insured Endorsements, Certificates of Insurance and Notices of Cancellation is: San Diego County Local Agency Formation Commission, 2550 Fifth Avenue, Suite 725, San Diego, California 92103-6624.

11.12. **Consultant's Insurance Primary.** The insurance provided by Consultant, including all endorsements, shall be primary to any coverage available to Commission. Any insurance or self-insurance maintained by Commission and/or its officers, employees, agents or volunteers, shall be in excess of Consultant's insurance and shall not contribute with it.

11.13. **Waiver of Subrogation.** Consultant hereby waives all rights of subrogation against the Commission. Consultant shall additionally waive such rights either by endorsement to each policy or provide proof of such waiver in the policy itself.

11.14. **Report of Claims to Commission.** Consultant shall report to the Commission, in addition to the Consultant's insurer, any and all insurance claims submitted to Consultant's insurer in connection with the services under this Agreement.

11.15. **Premium Payments and Deductibles.** Consultant must disclose all deductibles and self-insured retention amounts to the Commission. The Commission may require the Consultant to provide proof of ability to pay losses and related investigations, claim administration, and defense expenses within retention amounts. Ultimately, Commission must approve all such amounts prior to execution of this Agreement. Commission has no obligation to pay any premiums, assessments, or deductibles under any policy required in this Agreement. Consultant shall be responsible for all premiums and deductibles in all of Consultant's insurance policies. The amount of deductibles for insurance coverage required herein are subject to Commission's approval.

11.16. **Duty to Defend and Indemnify.** Consultant's duties to defend and indemnify Commission under this Agreement shall not be limited by the foregoing insurance requirements and shall survive the expiration or early termination of this Agreement.

12. MUTUAL COOPERATION

12.1. **Commission Cooperation in Performance.** Commission shall provide Consultant with all pertinent data, documents and other requested information as is reasonably available for the proper performance of Consultant's services under this Agreement.

12.2. **Consultant Cooperation in Defense of Claims.** If any claim or action is brought against Commission relating to Consultant's performance in connection with this Agreement, Consultant shall render any reasonable assistance that Commission may require in the defense of that claim or action.

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13. NOTICES

Any notices, bills, invoices, or reports required by this Agreement shall be deemed received on: (i) the day of delivery if delivered by hand, email, or overnight courier service during Consultant's and Commission's regular business hours; or (ii) on the third business day following deposit in the United States mail if delivered by mail, postage prepaid, to the addresses listed below (or to such other addresses as the parties may, from time to time, designate in writing).

If to Commission
Priscilla Mumpower
Assistant Executive Officer
San Diego Local Agency Formation Commission
2550 Fifth Avenue, Suite 725
San Diego, California 92103-6624
858-614-7755
priscilla.mumpower@sdcounty.ca.gov

If to Consultant
Jim Simon
Principal
RGS, Inc.
170 Eucalyptus Avenue, Suite 200
Vista, California 92084
714-541-4585
jsimon@rsgsolutions.com

With courtesy copy to:
Holly O. Whatley, Esq.
General Counsel
Colantuono, Highsmith & Whatley, PC
790 E. Colorado Blvd.., Ste. 850
Pasadena, Angeles, CA 91101
(213) 542-5700
hwhatley@chwlaw.us

14. SURVIVING COVENANTS

The parties agree that the covenants contained in Section 5.12 (Records), Section 9.4 (Indemnification of CalPERS Determination), Section 10 (Indemnification), Section 11.8 (Claims-Made Policies), paragraph 11.13 (Waiver of Subrogation), Section 12.2 (Consultant Cooperation in Defense of Claims), Section 14 (Surviving Covenants), Section 16 (Interpretation of Agreement), and Section 19 (General Provisions) of this Agreement shall survive the expiration or termination of this Agreement, subject to the provisions and limitations of this Agreement and all otherwise applicable statutes of limitations and repose.

15. TERMINATION

15.1. **Commission Termination.** Commission may terminate this Agreement for any reason on five calendar days' written notice to Consultant. Consultant agrees to cease all work under this Agreement on or before the effective date of any notice of termination. All Commission data, documents, objects, materials or other tangible things shall be returned to Commission upon the termination or expiration of this Agreement.

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15.2. **Consultant Termination.** Consultant may terminate this Agreement for a material breach of this Agreement by the Commission upon 30 days' notice.

15.3. **Compensation Following Termination.** Upon termination, Consultant shall be paid based on the work satisfactorily performed at the time of termination. In no event shall Consultant be entitled to receive more than the amount that would be paid to Consultant for the full performance of the services required by this Agreement. The Commission shall have the benefit of such work as may have been completed up to the time of such termination.

15.4. **Remedies.** Commission retains any and all available legal and equitable remedies for Consultant's breach of this Agreement.

16. INTERPRETATION OF AGREEMENT

16.1. **Governing Law.** This Agreement shall be governed and construed in accordance with the laws of the State of California.

16.2. **Integration of Exhibits.** All documents referenced as exhibits in this Agreement are hereby incorporated into this Agreement. In the event of any material discrepancy between the provisions of this Agreement and its exhibits, the provisions of this Agreement shall prevail. In the event of any material discrepancy between the express provisions of this Agreement and the exhibits of this Agreement, the provisions of this Agreement shall prevail. This instrument contains the entire Agreement between Commission and Consultant with respect to the transactions contemplated herein. No other prior oral or written agreements are binding upon the parties. Amendments hereto or deviations herefrom shall be effective and binding only if made in writing and executed on by Commission and Consultant.

16.3. **Headings.** The headings and captions appearing at the commencement of the sections hereof, and in any paragraph thereof, are descriptive only and for convenience in reference to this Agreement. Should there be any conflict between such heading, and the section or paragraph thereof at the head of which it appears, the language of the section or paragraph shall control and govern in the construction of this Agreement.

16.4. **Pronouns.** Masculine or feminine pronouns shall be substituted for the neuter form and vice versa, and the plural shall be substituted for the singular form and vice versa, in any place or places herein in which the context requires such substitution(s).

16.5. **Severability.** If any term or provision of this Agreement or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, then such term or provision shall be amended to, and solely to the extent necessary to, cure such invalidity or unenforceability, and shall be enforceable in its amended form. In such event, the remainder of this Agreement, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected, and each term and provision of this Agreement shall be valid and be enforced to the fullest extent permitted by law.

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16.6. **No Presumption Against Drafter.** Each party had an opportunity to consult with an attorney in reviewing and drafting this agreement. Any uncertainty or ambiguity shall not be construed for or against any party based on attribution of drafting to any party.

17. CONFLICT OF INTEREST DISCLOSURE

Pursuant to Government Code Section 1097.6, subdivision (c)(1), "[The] [C]onsultant's duties and services under this agreement shall not include preparing or assisting the public entity with any portion of the public entity's preparation of a request for proposals, request for qualifications, or any other solicitation regarding a subsequent or additional contract with the public entity. The public entity entering this agreement shall at all times retain responsibility for public contracting, including with respect to any subsequent phase of this project. [C]onsultant's participation in the planning, discussions, or drawing of project plans or specifications shall be limited to conceptual, preliminary, or initial plans or specifications. [C]onsultant shall cooperate with the public entity to ensure that all bidders for a subsequent contract on any subsequent phase of this project have access to the same information, including all conceptual, preliminary, or initial plans or specifications prepared by [Consultant] pursuant to this agreement."

18. GENERAL PROVISIONS

18.1. **Confidentiality.** All data, documents, discussion, or other information developed or received by Consultant for performance of this Agreement are deemed confidential and Consultant shall not disclose it without prior written consent by Commission. Commission shall grant such consent if disclosure is legally required. All Commission data shall be returned to Commission upon the termination or expiration of this Agreement.

18.2. **Conflicts of Interest.** Consultant maintains and warrants that it has not employed nor retained any company or person, other than a bona fide employee working solely for Consultant, to solicit or secure this Agreement. Further, Consultant warrants that it has not paid nor has it agreed to pay any company or person, other than a bona fide employee working solely for Consultant, any fee, commission, percentage, brokerage fee, gift or other consideration contingent upon or resulting from the award or making of this Agreement. Consultant further agrees to file, or shall cause its employees or subcontractor to file, a Statement of Economic Interest with the Commission's Filing Officer if required under state law in the performance of the services. For breach or violation of this warranty, Commission shall have the right to rescind this Agreement without liability. For the term of this Agreement, no member, officer, or employee of Commission, during the term of his or her service with Commission, shall have any direct interest in this Agreement, or obtain any present or anticipated material benefit arising therefrom.

18.3. **Non-assignment.** Consultant shall not delegate, transfer, subcontract or assign its duties or rights hereunder, either in whole or in part, without Commission's prior written consent, and any attempt to do so shall be void and of no effect. Commission shall not be obligated or liable under this Agreement to any party other than Consultant.

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18.4. **Binding on Successors.** This Agreement shall be binding on the successors and assigns of the parties.

18.5. **No Third-Party Beneficiaries.** Except as expressly stated herein, there is no intended third-party beneficiary of any right or obligation assumed by the parties.

18.6. **Time of the Essence.** Time is of the essence for each and every provision of this Agreement.

18.7. **Non-Discrimination.** Consultant shall not discriminate against any employee or applicant for employment because of race, sex (including pregnancy, childbirth, or related medical condition), creed, national origin, color, disability as defined by law, disabled veteran status, Vietnam veteran status, religion, age (40 and above), medical condition (cancer-related), marital status, ancestry, or sexual orientation. Employment actions to which this provision applies shall include, but not be limited to, the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; or in terms, conditions or privileges of employment, and selection for training. Consultant agrees to post in conspicuous places, available to employees and applicants for employment, the provisions of this nondiscrimination clause.

18.8. **Waiver.** No provision, covenant, or condition of this Agreement shall be deemed to have been waived by Commission or Consultant unless in writing signed by one authorized to bind the party asserted to have consented to the waiver. The waiver by Commission or Consultant of any breach of any provision, covenant, or condition of this Agreement shall not be deemed to be a waiver of any subsequent breach of the same or any other provision, covenant, or condition.

18.9. **Excused Failure to Perform.** Consultant shall not be liable for any failure to perform if Consultant presents acceptable evidence, in Commission's sole judgment, that such failure was due to causes beyond the control and without the fault or negligence of Consultant.

18.10. **Remedies Non-Exclusive.** Each right, power and remedy provided for herein or now or hereafter existing at law, in equity, by statute, or otherwise shall be cumulative and shall be in addition to every other right, power, or remedy provided for herein or now or hereafter existing at law, in equity, by statute, or otherwise. The exercise, the commencement of the exercise, or the forbearance from the exercise by any party of any one or more of such rights, powers or remedies shall not preclude the simultaneous or later exercise by such party of any or all of such other rights, powers or remedies.

18.11. **Attorneys' Fees.** If legal action shall be necessary to enforce any term, covenant or condition contained in this Agreement, the prevailing party shall be entitled to an award of reasonable attorneys' fees and costs expended in the action.

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18.12. **Venue.** The venue for any litigation shall be San Diego County, California and Consultant hereby consents to sole jurisdiction in San Diego County for purposes of resolving any dispute or enforcing any obligation arising under this Agreement.

18.13. **Counterparts; Electronic Signatures.** This Agreement may be signed in one or more counterparts, each of which shall be deemed an original, but all of which together shall be deemed one and the same instrument. The parties acknowledge and agree that this Agreement may be executed by electronic signature, which shall be considered as an original signature for all purposes and shall have the same force and effect as an original signature. Without limitation, "electronic signature" shall include faxed or emailed versions of an original signature, electronically scanned and transmitted versions (e.g., via pdf) of an original signature, or a digital signature.

TO EFFECTUATE THIS AGREEMENT, the parties have caused their duly authorized representatives to execute this Agreement on the dates set forth below.

"COMMISSION" San Diego County Local Agency Formation Commission	"CONSULTANT" RSG, Inc.
Authorized Signatories:	
Signature: Keene Simonds	Signature: Signed by: JAMES SIMON A808E5196B2C4D0
Printed: Keene Simonds	Printed: JAMES SIMON
Title: Executive Officer	Title: President
Date: 5-6-26	Date: 5/6/2026

Attest:

Signature: Erica A Sellen

Printed: Erica Sellen

Title: Commission Clerk

Date: 5/11/2026

Approved as to Form:

Signature:

Printed: Aleks Giragosian

Title: Deputy General Counsel

Date: 5/11/2026

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EXHIBIT A
Scope of Services & Fee Schedule

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RSG
BETTER COMMUNITIES.
BOLDER FUTURES.

Via Electronic Mail
April 28, 2026 Michaela.Peters@sdcounty.ca.gov

Michaela Peters, Local Government Analyst II
San Diego Local Agency Formation Commission (LAFCO)
2550 Fifth Avenue, Suite 725
San Diego, California 92103-6624

PROPOSAL FOR OCEANSIDE SMALL CRAFT HARBOR DISTRICT GOVERNANCE STUDY - PHASE 1: WORK PLAN DEVELOPMENT

Dear Ms. Peters:

RSG, Inc. is pleased to submit this proposal to assist San Diego LAFCO in developing a detailed work plan for a comprehensive governance and financial study of the Oceanside Small Craft Harbor District (SCHD). This Phase 1 engagement will establish the foundation for a future Phase 2 study by building stakeholder consensus on research priorities, analytical methodologies, and study scope.

PROJECT UNDERSTANDING

San Diego LAFCO's November 2024 Municipal Service Review for the Oceanside Region identified significant concerns among SCHD stakeholders regarding governance structure and financial management. The MSR documented "general unease" among nearly 1,000 boat slip users who generate over 80% of annual revenues, with specific concerns including:

- Governance Structure: Stakeholder interest in exploring alternatives to the current dependent district model (City Council governance since 1995)
- Financial Management: Estimated $14-23 million in deferred maintenance, zero reserves, and questions about enterprise fund management and revenue allocation
- Infrastructure Crisis: Capital assets exceeding expected useful lives by 300%
- Accountability: Desire for direct constituent influence on decision-making, particularly regarding public safety and financial stewardship

The MSR's Recommendation 12 specifically calls for LAFCO to consider authorizing a governance study to assess alternatives for the benefit of both SCHD and the City of Oceanside. This Phase 1 proposal responds to that recommendation by focusing on collaborative work plan development before committing significant resources to the full study.

PROPOSED APPROACH

Phase 1 is designed as an efficient, stakeholder-driven process to answer the critical question: "What should a governance study examine, and how?" Rather than jumping directly into analysis, this approach ensures that Phase 2 addresses the right questions using appropriate methodologies with buy-in from all parties.

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Our approach includes:

- Thorough review of existing documentation (MSR, financials, governance history)
- Focused engagement with key stakeholders to understand priorities and concerns
- Development of a detailed Phase 2 work plan specifying research questions, methodologies, peer agencies, and analytical approaches
- Consensus-building to ensure Phase 2 has stakeholder support

All work will be conducted virtually with no travel time billed, keeping costs efficient while maintaining quality.

SCOPE OF WORK

Task 1: Document Review & Issue Identification (5.5 hours)
We will review key background materials to establish baseline understanding and identify critical issues requiring study to facilitate a discussion with the working group:

Documents to Review:

- San Diego LAFCO MSR for Oceanside Region (November 2024)
- SCHD financial records (audits, budgets, State Controller Financial Transaction Reports)
- Governance history, formation documents, and current City/SCHD agreements
- Infrastructure assessments and capital improvement plans
- Public meeting records documenting stakeholder concerns
- Relevant Harbor and Navigation Code provisions

Analysis Focus:

- Historical governance structure and changes (1960-present)
- Current financial management practices and enterprise fund compliance
- Deferred maintenance and capital needs
- Stakeholder concerns documented in MSR and public record
- Preliminary identification of governance alternatives for Phase 2 evaluation
- Initial peer agency identification for comparative analysis

Deliverable: Issues & Options presentation slides, summarizing key governance and financial issues, preliminary alternatives, suggested peer agencies, critical questions for
Phase 2, and recommended study approach.

Task 2: Working Group Engagement Meeting (3.5 hours)
We will facilitate a single 90-minute virtual meeting with the designated SCHD Working Group to gather input on Phase 2 priorities and approach.

Meeting Objectives:

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- Present findings from document review
- Discuss governance alternatives and financial analysis priorities
- Gather input on peer agency selection
- Build preliminary consensus on Phase 2 approach
- Identify areas requiring additional stakeholder input

Meeting Structure (90 minutes):

1. Presentation of Issues & Options (25 minutes)
2. Facilitated discussion of priorities and methodology (55 minutes)
3. Agreement on interview approach and next steps (10 minutes)

Deliverables: Meeting agenda and meeting summary

Task 3: Key Stakeholder Interviews (4.0 hours)
We will conduct 3-4 brief individual interviews (30 minutes each), which may be in pairs or individual as preferred by the Working Group, to understand specific concerns and priorities in greater depth.

Interview Focus Areas:

- Primary concerns with current governance and financial management
- Desired outcomes from governance study
- Priorities for financial analysis (enterprise fund compliance, cost allocation, reserve policies, peer comparisons)
- Input on governance alternatives to evaluate
- Preferences on peer agencies for comparison

Deliverable: Interview synthesis memorandum (anonymized themes and findings)

Task 4: Phase 2 Work Plan Development (6.5 hours)
Based on document review, working group input, and stakeholder interviews, we will prepare a detailed work plan for Phase 2 (the governance study itself).

Work Plan Components:

1. Study Purpose & Research Questions
    a. Clear objectives and specific questions to be answered
    b. How findings will inform LAFCO decision-making
2. Governance Alternatives Analysis Framework
    a. Current dependent district structure (baseline)
    b. Independent special district with elected board
    c. Other alternatives identified through Phase 1 stakeholder process
    d. Evaluation criteria (financial sustainability, accountability, service quality, etc.)
3. Financial Analysis Methodology
    a. Enterprise fund compliance assessment (GASB standards)

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   b. Comparative financial analysis with peer agencies
   c. Cost allocation analysis (harbor operations vs. general fund services)
   d. Capital planning and reserve policy evaluation
   e. Long-term financial projections under alternative scenarios
   f. Rate impact analysis
4. Peer Agency Selection & Comparison Framework
   a. Selection criteria (size, operations, governance structure, location)
   b. Proposed peer harbor/marina list (drawing from prior LAFCO research)
   c. Specific comparison metrics (financial performance, service levels, governance effectiveness)
   d. Data sources (State Controller, audits, direct agency contact)
5. Legal & Procedural Requirements
   a. Applicable statutes (Harbors & Navigation Code, Cortese-Knox-Hertzberg Act)
   b. LAFCO reorganization procedures
   c. Protest and election requirements
   d. Implementation considerations
6. Stakeholder Engagement Plan for Phase 2
   a. Working group continuation
   b. Broader outreach strategy (slip renter surveys, public meetings, focus groups)
   c. Agency coordination
   d. Decision points
7. Timeline, Budget & Deliverables
   a. Phase 2 duration estimate
   b. Key milestones
   c. Budget parameters
   d. Deliverable specifications

Deliverable: Draft Phase 2 Work Plan (10-15 pages)

Task 5: Finalization & LAFCO Briefing (1.5 hours)
We will finalize the Phase 2 Work Plan based on working group feedback and present recommendations to LAFCO.

Activities:

- Incorporate working group feedback from Task 2 meeting
- Finalize Phase 2 Work Plan
- Prepare briefing presentation for LAFCO
- Provide Phase 2 budget estimate (if requested). We estimate the budget for the study may be in the range of $50,000-75,000, preliminarily – to be refined as part of the Phase 1 Work Plan.

Deliverables: Final Phase 2 Work Plan, Phase 2 budget proposal (optional)

PHASE 2 PREVIEW

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While Phase 2 scope will be developed collaboratively through this Phase 1 process, we anticipate the full governance study will include some or all of the following tasks, based on available budget. RSG understands that LAFCO is seeking matching funding, which may alter the total budget (inclusive of Phase 1 and 2) from $30,000 to $60,000-$70,000 with matching funding. We have segregated what we feel is achievable under both funding scenarios below, subject to refinement and completion of Phase 1.

- Floor Scenario ($24,000 of $30,000 available for work program
    - Current operations and financial performance assessment
    - Limited peer agency comparative analysis (financial, governance)
    - Governance alternatives analysis with detailed pros/cons
    - Final governance study report with findings and recommendations

- Match Scenario ($54,000-$64,000 of $60,000-$70,000 available for work program
    - Tasks above plus:
        - Historical governance analysis (1960-present)
        - Peer agency comparative analysis (financial, operational, governance)
        - Enterprise fund compliance and best practices evaluation
        - Financial projections under alternative governance scenarios
        - Legal and procedural requirements for any reorganization
        - Broad stakeholder engagement (surveys, focus groups, public meetings)

Estimated Phase 2 Duration: 6-12 months

PROJECT TIMELINE

Phase 1 will be completed within 6 weeks from authorization to proceed:

- Week 1-2: Document Review & Issue Identification (Task 1)
- Week 2-3: Working Group Meeting & Stakeholder Interviews (Tasks 2-3)
- Week 3-4: Draft Phase 2 Work Plan Development (Task 4)
- Week 5: Working Group Review (incorporated in Task 2 meeting structure)
- Week 6: Finalization & LAFCO Briefing (Task 5)

CONSULTANT TEAM

The consultant team assigned to work on this project include myself as engagement manager and Carol Ieromnimon, Associate. For the sake of brevity, we have not included our resumes in this proposal but they are available at our website (https://rsgsolutions.com/meet-our-team/)

FEE PROPOSAL

RSG is proposing to complete this assignment on a time and materials basis for a not to exceed fee of $30,000, inclusive of $6,000 for Phase 1 and $24,000 for the limited scope within Phase 2, assuming no matching funds. RSG would bill for these services based on the fee schedule and billing policies below.

Principal	$ 305

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Director	$ 295
Senior Associate	$ 250
Associate	$ 205
Senior Analyst	$ 185
Analyst	$ 170
Research Assistant	$ 145

RSG does not charge clients for travel or mileage (except direct costs related to field work/surveys), parking, standard telephone/fax expenses, general postage, or incidental copies. However, we do charge for messenger services and overnight shipping/express mail costs. We also charge for copies of reports, documents, notices, and support material in excess of five copies. We bill reimbursable costs at the actual expense plus a 10% surcharge.

RSG issues monthly invoices payable upon receipt, unless otherwise agreed upon in advance. Invoices identify tasks completed to date, hours expended, and the hourly rate.

Thank you for the opportunity to assist LAFCO with this engagement. We look forward to discussing this proposal with you and commencing the work to provide transparency and clarity to LAFCO and the affected stakeholders.

Sincerely,
RSG, Inc.

Jim Simon, Principal

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AGENDA REPORT
Consent | Information

June 15, 2026

TO: Chair Becker and Commissioners

FROM: Priscilla Mumpower, Assistant Executive Officer
Michaela Peters, Analyst II

SUBJECT: **Notice of County of San Diego Neighborhood Reinvestment Grant Award to Help Fund Governance Study on the Oceanside Small Craft Harbor District**

SUMMARY

The San Diego County Local Agency Formation Commission (LAFCO) will receive notice of a new grant award from the County of San Diego District 5 Office (Supervisor Jim Desmond) through its Neighborhood Reinvestment Program. The award will support LAFCO's scheduled governance study on the Oceanside Small Craft Harbor District, which has been set by the Commission to assess the District's current governance structure – a dependent district of the City of Oceanside – along with potential alternatives relative to community needs. The grant application was submitted consistent with prior Commission direction supporting a pilot grant funding initiative intended to offset costs associated with Commission projects and special studies. The County approved the application in the full requested amount of $30,000, which – combined with $40,000 the Executive Officer has allocated from the Commission's project appropriations – brings total funding for the study to $70,000. Work is already underway, with RSG, Inc. retained as consultant under a professional services agreement noticed separately as Agenda Item No. 5e, and completion is anticipated by April 2027. This item is presented for information only.

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

BACKGROUND

County of San Diego Neighborhood Reinvestment Program

The County of San Diego's Neighborhood Reinvestment Program (NRP) is a discretionary grant program administered through the County Board of Supervisors that provides funding to public agencies and nonprofit organizations for one-time community, social, environmental, educational, cultural, or recreational needs. Eligible uses include public safety initiatives, environmental and open space projects, arts and cultural programs, educational and recreational improvements, tourism-related activities, and health and social service efforts. Funding is allocated through each Supervisorial office, with individual Supervisors exercising discretion over award recommendations within their respective districts.

Adopted Workplan:
Governance Study + Pilot Grant Funding Initiative

The scheduled governance study on the Oceanside Small Craft Harbor District is a high-priority item (No. 10) in the Commission's newly adopted 2026-2027 workplan – elevated from the mid-tier ranking (High-Medium, No. 15) it holds in the current 2025-2026 workplan. Originating from a recent regional municipal service review's call to further examine the District's governance structure, fiscal condition, operational responsibilities, and long-term service accountability, the study assesses its financial capacity relative to current and prospective service arrangements to inform the evaluation of potential governance alternatives. Separately, both workplans carry a pilot grant funding initiative intended to identify external funding to supplement Commission resources and offset the costs of special studies and other workplan projects.

DISCUSSION

This item provides notice to San Diego LAFCO of a grant award from the County of San Diego to help fund the governance study on the Oceanside Small Craft Harbor District. The award follows LAFCO staff's submission of a Neighborhood Reinvestment Program grant application in April 2026 through the County of San Diego District 5 Office, seeking near-matching funds to support the study as described in the preceding background. The County notified LAFCO in May the application was approved in the full requested amount of $30,000. A copy of the award notice and submitted grant proposal are attached.

ANALYSIS

None.

RECOMMENDATION

This item is presented for information only.

ALTERNATIVES FOR ACTION

None.

PROCEDURES

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

On behalf of the Executive Officer,

Priscilla Mumpower
Assistant Executive Officer

Attachments:

1) County NRP Grant Award Notice
2) County NRP Grant Application

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From: "Yee, Candyce" <Candyce.Yee@sdcounty.ca.gov>

Subject: RE: LAFCO NRP Application (Oceanside Harbor Study)

Date: May 13, 2026 at 4:08:39 PM PDT

To: Adam Wilson <adam@awilson-consulting.com>

Cc: "Gretler, Darren M" <Darren.Gretler@sdcounty.ca.gov>, "McDonald, Hunter" <Hunter.McDonald@sdcounty.ca.gov>

Hi Adam!

Yes, it was approved by Supervisor Desmond in its entirety for $30,000 and we just submitted it to be processed for our May allocations at the end of the month.

If all goes accordingly, you should be receiving an e-mail at the beginning of June from our Office of Economic Development with your grant contract to sign and return.

Congratulations!

Sincerely,

Candyce

Candyce Yee
Community Liaison/Grants Administrator
Supervisor Jim Desmond, 5th District
(619)-531-5555
candyce.yee@sdcounty.ca.gov

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COUNTY OF SAN DIEGO

APPLICATION FOR NEIGHBORHOOD REINVESTMENT PROGRAM GRANT

READ INSTRUCTIONS BEFORE BEGINNING APPLICATION.
ALL FIELDS MUST BE COMPLETED AS APPLICABLE.

ELIGIBILITY: Only non-profit or government/public agencies operating in San Diego County may apply.

What is the legal status of your organization?

☐ Non-Profit Corporation ☑ Government/Public Agency

Federal Tax Identification Number (TIN or EIN): 95-6000934 Organization Name: San Diego LAFCO

(Must match the California Attorney General Charitable Registration Verification, IRS form, and Secretary of State Business Name)

ADDITIONAL CRITERIA (ATTORNEY GENERAL & SECRETARY OF STATE COMPLIANCE):
Please attach proof of the organization's eligibility to apply in the following two ways: 1) Current or Exempt status with the California Attorney General's Charitable Organization Registry and 2) Active status with the California Secretary of State's Business Search. Screen shots or other evidence should be included as attachments with this application.

ORGANIZATION:

Street Address

Address: 2550 Fifth Avenue, Suite 725

City: San Diego State: CA Zip: 92103

Mailing Address ☑ Same as Street Address

Address:

City: State: Zip:

Popular Name or d.b.a.: San Diego Local Agency Formation Commission (LAFCO)

Supervisorial District (based on street address of organization): ☐ 1 ☐ 2 ☐ 3 ☐ 4 ☑ 5 (Select only one)

Title of Grant Request: Oceanside Small Craft Harbor District Governance Study

Contact Person (Individual who will sign the grant agreement and be responsible for the expenditure of the funds)

Name: Priscilla Mumpower Title: Assistant Executive Officer

Telephone Number: 619-321-3380 Fax Number: N/A Email: priscilla.mumpower@sdcounty.ca.gov

Grant Administrator (Individual who will sign the grant agreement and be responsible for the expenditure of the funds)
(This individual must be different from the Contact Person listed above)

Name: Keene Simonds Title: Executive Officer

Telephone Number: 619-321-3380 Fax Number: N/A Email: Keene.simonds@sdcounty.ca.gov

PROPOSAL:

PROJECT LOCATION (see instructions)

Street Address: 1540 Harbor Drive North, Oceanside, CA 92054

Community to be Served: City of Oceanside (Oceanside Small Craft Harbor District)

For Capital Projects:

Owner of Project Site:

Name of person or entity responsible for project site maintenance (Provide a copy of any maintenance agreements or commitment letters, if applicable.)

COUNTY OF SAN DIEGO

APPLICATION FOR NEIGHBORHOOD REINVESTMENT PROGRAM GRANT

ORGANIZATION NAME: San Diego LAFCO

TITLE OF GRANT REQUEST: Oceanside Small Craft Harbor District Study

Purpose of grant: (Provide a detailed description of the project for which you are seeking funding. Include a list of items to be purchased/paid for via grant funds. If your request consists of multiple components, please describe each item in priority order and indicate the associated amount requested. A higher priority shall be given to requests for capital projects and/or one-time expenses.)

The proposed Governance Study will provide a comprehensive analysis of the Oceanside Small Craft Harbor District's financial solvency, service delivery, current governance model as a dependent district, and potential governance alternatives (e.g., independent district, shared services, or a JPA) to identify the structure best suited to improve municipal service delivery. The study will also address concerns identified through the recent municipal service review of the City of Oceanside and the Oceanside Small Craft Harbor District, including community concerns related to public safety and financial management. The requested $30,000 will expand Phase 2 (bringing total project funding to $60,000) to fund financial review, service delivery assessment, peer agency comparison, governance alternatives analysis, stakeholder outreach, and preparation of final reports and presentations. Deliverables would include prioritized, actionable recommendations, a clear determination of fiscal viability, and a recommended governance path with implementation steps intended to benefit the harbor community and broader regional users, including Oceanside residents and coastal partners.

Estimated Total cost of the project: $ 60,000 (Provide verifiable cost estimates with this application)

Total Amount requested from the County (minimum $3,500): $ 30,000 **Estimated project completion date:** May 2027

Have you made any expenditures to date for this project that you expect to claim under this grant: ☐ Yes ☑ No
IMPORTANT: This information will be used to determine the effective date of your grant if awarded.

If YES, the date of the first expenditure: Month: Year:

If NO, when do you expect to start the project: Month: May Year: 2026

QUESTIONS 1 & 2 WILL BE USED TO HELP EVALUATE YOUR PROPOSAL

1. Briefly describe how your organization measures or plans to measure the (positive) impact of activities/operations proposed in the community. Provide an estimate of how many people will be served.

The 12-month study will analyze financial, operational, and stakeholder data to determine whether the Small Craft Harbor District is financially solvent and efficiently managed, and whether alternative governance models would improve service delivery. The consultant will deliver clear findings on fiscal viability and governance options, with prioritized, actionable recommendations.

Direct beneficiaries include the harbor community, slip renters, leaseholders, tenants, SCHD advisory committee, and harbor staff. Secondary beneficiaries include Oceanside residents, recreational users, local businesses and military/Coast Guard operations, numbering in the tens of thousands regionally and serving a City population of approximately 175,000 residents. The study will increase financial and governance transparency and enable more effective, efficient delivery of harbor services.

2. What steps is your organization taking to increase funding from other sources for this project?

The study is expected to take approximately 12 months and is structured in two phases. Phase 1 is budgeted at $6,000 to complete the initial outreach and work plan development. Phase 2 has a baseline budget of $24,000 but can be expanded to $54,000 to deliver a full-scope governance and financial analysis that would maximize the study's value. The combined cost for Phase 1 plus the expanded Phase 2 is $60,000.

LAFCO has committed $30,000 toward the project and is seeking a $30,000 match from the District 5 Neighborhood Reinvestment Program to close the remaining funding gap. The additional funds would allow Phase 2 to be fully executed at the $54,000 level, ensuring a comprehensive and actionable assessment of the Small Craft Harbor District's financial viability and governance options.

COUNTY OF SAN DIEGO

NEIGHBORHOOD REINVESTMENT PROGRAM GRANT APPLICATION
SUMMARY OF FINANCIAL INFORMATION

ORGANIZATION NAME: San Diego LAFCO
TITLE OF GRANT REQUEST: Oceanside Small Craft Harbor District Study

Financial Solvency: Please Type Initials _____

☑ I hereby certify that this organization is currently financially solvent and not at risk for insolvency.

FINANCIAL STATEMENT Current Year Start Date: FY 2025-2026	PRIOR YEAR ACTUALS	CURRENT YEAR BUDGET
COUNTY COMMUNITY ENHANCEMENT GRANTS		
COUNTY NEIGHBORHOOD REINVESTMENT GRANTS		
CITY FUNDING City Name:		
OTHER REVENUES (Please itemize below)		
Intergovernmental (Apportionments)	$ 2,294,888	$ 2,181,483
Service Charge Units (Application Fees)	$ 212,386	$ 200,000
Misc. (Interest + Dividends)	$ 190,576	$ 332,202
Grant Award (California Dept. of Conservation)	$ 172,415	$ 450,000
TOTAL REVENUES (If more than $50,000, attach IRS form 990 or 990EZ. If $50,000 or less, attach IRS form 990-N e-postcard)	$ 2,870,265	$ 3,163,685
TOTAL EXPENDITURES (enter as a negative number)	-$ 2,870,265	-$ 3,163,685
OPERATING SURPLUS (DEFICIT)	$ 0	$ 0

RESOLUTION OF THE BOARD OF DIRECTORS

OF San Diego LAFCO
(Organization name)

WHEREAS, the County of San Diego Neighborhood Reinvestment Program provides funding for non-profit corporations for certain specified purposes; and

WHEREAS, the San Diego LAFCO (Organization name) wants to file an application with County of San Diego for Neighborhood Reinvestment Program funding.

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of San Diego LAFCO (Organization name):

1. Confirms that _____ is a non-profit California corporation or a public agency under the laws of the State of California;
2. Approves the filing of an application with the County of San Diego for Neighborhood Reinvestment Program funding during the County's current fiscal year; and
3. Authorizes the people listed below to sign a grant agreement with the County of San Diego for Neighborhood Reinvestment funds for the current fiscal year.

1. Print Name: Keene Simonds
Title: Executive Officer
Signature: Keene Simonds

2. Print Name: Priscilla Mumpower
Title: Assistant Executive Officer
Signature: Priscilla Mumpower

3. Print Name: Michaela Peters
Title: Analyst II
Signature: Michaela Peters

Adopted on this 7 day of April, 2026

Keene Simonds Digitally signed by Keene Simonds Date: 2026.04.07 18:03:13 -07'00'
Board of Directors Representative

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AGENDA REPORT
Public Hearing | Action

June 15, 2026

TO: Chair Becker and Commissioners

FROM: Keene Simonds, Executive Officer
Michaela Peters, Local Government Analyst II
Adam Wilson, LAFCO Consultant

SUBJECT: **Proposed Final Report and Related Actions |**
Municipal Service Review on the Carlsbad-Encinitas Region (Part I):
City of Carlsbad and Carlsbad Municipal Water District (Carlsbad Subregion)

SUMMARY

The San Diego County Local Agency Formation Commission (LAFCO) will consider a proposed final municipal service review (MSR) for the Carlsbad Subregion. The MSR fulfills LAFCO's statutory responsibility to independently evaluate the availability and performance of public services in relation to community needs and to adopt related determinations. The report covers two agencies under LAFCO's jurisdiction: the City of Carlsbad and the Carlsbad Municipal Water District (CMWD). It is presented largely unchanged from the April 2026 draft following a 45-day public review period. Substantive revisions that have been made are limited, shown in track-change format as an attachment, and primarily tie to incorporating comments received from the County of San Diego involving the report's analysis covering the McClellan-Palomar Airport.

As detailed in the Executive Summary, the report presents a positive evaluation of the two subject agencies – Carlsbad and its subsidiary, Carlsbad MWD – with both completing the reporting period operationally stable, fiscally responsible, and strategically positioned to manage their resources as the agencies approach planned community build-out. Consistent

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

with LAFCO's forward-looking mandate, the review does identify emerging pressures around infrastructure reinvestment, pension obligations, and housing affordability – but these challenges are moderate in scale, common to most public agencies, and raise no concerns warranting heightened Commission attention.

It is recommended the Commission formally accept the proposed final report as presented and take ancillary actions as detailed.

BACKGROUND

Municipal Service Reviews | Purposes and Uses

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

Adopted Workplan | MSR on the Carlsbad-Encinitas Region: Parts I and II

San Diego LAFCO's FY 2025–2026 workplan was adopted at a noticed hearing in May 2025 and outlines 30 specific projects for the fiscal year across several priority tiers. One of the Commission's high-priority projects involves preparing a municipal service review for the Carlsbad-Encinitas region. The review is organized in two standalone parts – the first covering the Carlsbad subregion and the second covering the Encinitas subregion – to better isolate the distinct city-special district service relationships within each area. Each part is intended to proceed independently through the Commission's hearing and decision-making processes. [1]

March and April 2026 Meetings | Public Hearing + Presentation of Draft

San Diego LAFCO received a draft report on the scheduled MSR of the Carlsbad subregion as part of a noticed public hearing on April 6, 2026.[2] Following staff presentation, the Commission authorized staff to proceed under policy and open a formal 45-day public comment period and directed that a final MSR be returned for future Commission action.

[1] The Encinitas Subregion MSR covers the City of Encinitas, Leucadia Wastewater District, Olivenhain Municipal Water District, and the San Dieguito Water District. This MSR is currently underway and will be presented at a separately noticed public hearing.

[2] The public hearing originally scheduled for March 2, 2026 was continued by the Commission to allow an additional 30-day review period. Testimony was received at the March 2 meeting from the Carlsbad City Manager and included generally positive feedback.

DISCUSSION

This item is for San Diego LAFCO to complete its scheduled municipal service review of the Carlsbad subregion. This includes accepting a proposed final report prepared by LAFCO staff with the assistance of a small group of consultants; key conclusions and recommendations are provided in the Executive Summary. Written determinations addressing all factors required under LAFCO statute are also detailed in the Executive Summary and referenced in a draft resolution presented separately to the Commission for adoption. Additional discussion on comments received during the public review period, and changes made to the report relative to the April draft follows.

Public Review:
Comments Received on Draft Report

Following the April 6 presentation to the Commission, San Diego LAFCO staff initiated a formal 45-day public review period for the revised draft report. The review process included distributing notices to affected agencies, publishing a public notice in the Coast News Group, and posting information on LAFCO's website and social media platforms. The report was also presented to the Special Districts Advisory Committee (SDAC). Feedback received during the review period included a recommendation to incorporate findings from the Water Rate Comparator Study prepared by Kennedy Consulting LLC, specifically regarding the rates identified in the CMWD section of the report. This analysis has been incorporated into the revised draft.

By the close of the review period, LAFCO had received two written comment letters: one from Geoff Patnoe, City Manager for the City of Carlsbad, and one from Jamie Abbott, Director of Airports for the County of San Diego. LAFCO staff reviewed these comments and included them in Appendix G of the proposed final report. Any additional written comments received through the close of the public hearing will be added to the appendix as they are received.

Key Changes Reflected in the Proposed Final Report

The proposed final report covering the MSR on the Carlsbad subregion before the San Diego LAFCO remains substantially unchanged from the revised draft presented in April 2026. With respect to revisions made, most involve formatting adjustments and updates to illustrative graphics, which materially change page numbering throughout the document. Substantive changes are limited and collectively involve four topic areas:

(1) The incorporation of fiscal years 2024 and 2025 to address the data gap between Part I (Carlsbad Subregion) and the pending Part II (Encinitas Subregion) MSRs, extending the analysis period from FY 2019–2023 to FY 2019–2025 in response to Commission feedback received during the presentation of the County Water Authority MSR.

(2) Updates to address comments received by the County of San Diego regarding the McClellan-Palomar Airport reflected in the Executive Summary and City profile.

(3) The addition of a subsection within the CMWD's water rate analysis.

(4) The addition of an analysis of the City of Carlsbad's other post-employment benefits (OPEB) obligations.

A summary of the key updates reflected in the proposed final report's Executive Summary, including related conclusions and recommendations, is provided as Appendix A.

ANALYSIS

The proposed final report before San Diego LAFCO – the scheduled MSR for the Carlsbad subregion – has been prepared consistent with local policy and the scope of work approved by the Executive Officer. Staff believes the proposed final report provides the Commission – and by extension the general public – a thorough and independent assessment of both subject agencies relative to LAFCO's growth management duties and interests. Staff further believes the document provides sufficient information for the Commission to proceed with sphere of influence updates for both agencies and to inform any jurisdictional changes proposed over the next five years.

An abbreviated version of the Executive Summary, along with its key conclusions and recommendations, is provided in the attached prospectus.

RECOMMENDATION

It is recommended San Diego LAFCO accept the proposed final report covering the MSR on the Carlsbad subregion and adopt a resolution to codify the written determinations pursuant to statute. This recommendation is consistent with Alternative One as outlined in the following section.

ALTERNATIVES FOR ACTION

The following alternative actions are available to San Diego LAFCO and can be accomplished through a single-approving motion.

<u>Alternative One (recommended):</u>

a) Accept the attached proposed final report representing the scheduled municipal service review on the Carlsbad subregion and in doing so attest to its completeness.

b) Adopt the attached resolution making the requisite determinations as part of the municipal service review on the Carlsbad subregion.

c) Authorize the Executive Officer to make non-substantive edits as needed and publish and circulate the final report representing the scheduled municipal service review on the Carlsbad subregion.

Alternative Two:
Continue the item and request additional information from staff as needed.

PROCEDURES

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

1) Disclose any material ex-parte communications.
2) Receive verbal presentation from staff unless waived.
3) Open the hearing and invite comments.
4) Discuss the item and consider the staff recommendation.

On behalf of the Executive Officer,

Michaela Peters

Michaela Peters
Local Government Analyst II

Appendix:
A) Summary of Revisions from Draft MSR to Final Report

Attachments:

1) Prospectus on the Proposed Final Report
2) Proposed Final Report on Scheduled Municipal Service Review Report on the Carlsbad Subregion
   - Public Comments Received in Preparing Document Provided as Appendix G
3) Draft Resolution Making Determinations Under Government Code
4) Substantive Revisions in Track Changes

APPENDIX A
Summary of Substantive Revisions from Draft MSR to Final Report

Presented in Order of Appearance

1. **Revised Key Premises, Assumptions, + Benchmarks:**
   Looking Back | Determining the Report Period + Data Collection Window

   The original draft applied a single five-year data window (fiscal years 2019 through 2023) across the entire analysis. This has been revised in the proposed final report to distinguish the two parts: Part I (Carlsbad and CMWD) retains the 2019–2023 window as the primary analytical baseline, while Part II (Encinitas, Leucadia Wastewater District, Olivenhain Municipal Water District, and San Dieguito Water District) incorporates an expanded window through fiscal year 2025, and done so in response to feedback expressed by the Commission. **(Page 19)**

2. **New Conclusions Added:**
   Data Gap in Context (4.1.11 +5.1.9)

   Parallel new conclusions have been added for the City of Carlsbad (4.1.11) and Carlsbad MWD (5.1.9), acknowledging the gap between the five-year data window (fiscal years 2019 through 2023) and the two completed fiscal years falling outside it by the time the analysis and administrative review conclude. Each explains that nothing observed across the reporting period suggests these intervening years would alter the report's foundational recommendations, as the respective agency shows stable governance, adequate service capacity, and sound financial footing. On this basis, staff concludes the existing record provides a reasonable foundation for completing the municipal service review as presented, with the next periodic review serving as a Commission safeguard should conditions shift. **(Pages 29 + 35)**

3. **Revised Conclusion (Addressing Palomar Airport Comment Letters – City + County):**
   Evaluate Governance Alignment at McClellan-Palomar Airport (4.2.5)

   This conclusion has been revised to emphasize collaboration over jurisdictional change in response to comment letters from the City and County. More substantively, the recommendation now calls for LAFCO to evaluate conditions at the airport and offer to convene and facilitate the County and the City in exploring a "more equitable service arrangement," in place of the prior framing. The explicit reference to "consideration of jurisdictional transfer" was struck, with the revised language instead pointing to service agreements, operational coordination, and other mechanisms the parties identify to better align decision-making authority with impact responsibility. **(Page 31)**

4. **New Section Added:**
   6.6 | Other Post-Employment Benefit Obligations

   This section has been fully developed in the proposed final report. The added analysis describes the City of Carlsbad's retiree healthcare benefits (OPEB), pre-funded through the CalPERS-managed CERBT trust, and covers three areas: enrollees and eligibility, contributions and benefit payments, and funded status. Key figures include 1,400 total plan participants at the close of the 2019–2023 reporting period (a 148-enrollee increase over the period, shifting the active-to-retiree ratio from 1.4-to-1 to 1.3-to-1); employer contributions of $5,208,290 that exceeded the actuary's required threshold every year and kept pace with $4,918,689 in benefit payments; and a net OPEB liability of $2,968,540 at period close, reflecting an 85.6% funded ratio. The analysis notes the plan briefly reached full funding in fiscal year 2022 before the ratio pulled back, attributing the pressure to growth in accrued liabilities and CalPERS's reduction of the assumed discount rate from 7.0% to 6.5% beginning in 2022. **(Pages 137-139)**

5. **Revised Determination:**
   (b) | McClellan-Palomar Airport Governance

   This sentence has been revised to soften its characterization of the airport's governance and remove language implying impropriety. The airport is now described as one that "presents a distinct governance arrangement" rather than one that "exemplifies governance complexity," and as meriting LAFCO's "attention" rather than "review." The revised language also strikes the prior framing that the facility "maintains separate service arrangements inconsistent with orderly boundaries," replacing it with a more neutral, factual description: a County-owned and operated facility lying entirely within Carlsbad's incorporated limits, where operational authority rests with the County while the City resources local services with limited input over its uses. **(Page 150)**

6. **New Subsection Added:**
   Comparative Rate Context (CMWD Potable Water)

   This newly added section explains why CMWD's rates sit below the regional average by applying the structural framework from San Diego LAFCO's December 2025 Water Rate Comparator Study. The analysis identifies a mix of favorable and unfavorable conditions independent of management quality. On the favorable side, CMWD benefits from relatively modest system topography (roughly 700 feet of elevation change), system density just above the regional average, and above-average development activity that supplements rate-funded capital programs. Counterbalancing these are two structural cost pressures: full reliance on imported water purchased through CWA (comprising 57% of operating expenses), and a take-or-pay contract for 2,500 acre-feet annually from the Carlsbad Desalination Plant at roughly three times the cost of conventional imported supplies. The section concludes that CMWD holds rates below the regional average despite these pressures, aided by favorable topography and adequate density, while cautioning that the Comparator Study is a relative indicator only—presented as

structural context, not as a substitute for the financial analysis in the review. **(Page 180)**

7. **New Performance Measurement Added: Comparative Rate Context (CMWD)**

   This newly added performance measurement summarizes the structural rate analysis described above, anchoring it to a specific comparison: CMWD's typical residential rate of $94 per month against the $133 regional average for comparable consumption as of early 2025. It concludes that CMWD sustaining rates well below the regional average—despite full dependence on imported water and a take-or-pay desalination contract—reflects the combined benefit of its favorable operating characteristics. **(Page 190)**

Municipal Service Review

CITY OF CARLSBAD & CARLSBAD MUNICIPAL WATER DISTRICT

PROSPECTUS | JUNE 2026

General Themes and Conclusions

The conclusions and recommendations presented herin are intended as highlights; additional findings and detailed conclusions are provided in the full Municipal Service Review (MSR).

The City of Carlsbad serves as a well-established coastal community within the northern portion of San Diego County, with an estimated population of 116,428 in 2023, making it the fifth-largest municipality in the county. The City of Carlsbad functions as a comprehensive full-service jurisdiction, providing core municipal services directly to residents while also supporting a broader network of regional and special districts. The Carlsbad Municipal Water District (CMWD) operates as a subsidiary entity, providing potable and recycled water services to approximately 82% of Carlsbad's residents, with its operations fully integrated into the City's governance framework while maintaining independent legal and fiscal authority. The physical and built environment of Carlsbad reflects a mature suburban-to-coastal layout. Older neighborhoods feature smaller single-family and multi-family lots concentrated near the coastline and along established commercial corridors. Densities transition inland toward larger single-family homes in mid- and late-20th century subdivisions. The City's geography is defined by the Pacific Ocean to the west, limited buildable land to the east, and adjacent incorporated jurisdictions that constrain outward expansion, creating a long-term shift toward infill development and optimized service delivery. Carlsbad's municipal boundary spans 39 square miles, encompassing residential, commercial, and recreational uses alongside significant public infrastructure and open space. Carlsbad has transitioned from a period of rapid expansion and annexation in the late 20th century to a more deliberate, stewardship-focused phase. Population growth has slowed to under 1% annually since 2010, with housing production continuing at a moderate pace. Median household income remains high at $129,269, and average home values rose 62% during the review period, reflecting strong market conditions. The City's workforce of 807 full-time positions supports a broad spectrum of services, with public safety, parks and recreation, wastewater, and community development among the most prominent. Fiscal management is strong, with General Fund reserves covering eight months of expenses and low overall debt.

CMWD provides high-quality potable and recycled water services with a system that maintains substantial excess capacity, enabling reliable service and accommodating future growth. Its enterprise funds are financially self-sustaining, with reserves covering more than seven months of operating expenses and rates consistently below regional averages. The District benefits from coordinated governance through the City Council, while retaining its identity as a separate legal entity with independent taxing authority. Together, Carlsbad and CMWD illustrate a community and utility system that are operationally stable, fiscally responsible, and strategically positioned to address future service, infrastructure, and housing challenges. While modest growth and evolving development conditions present ongoing considerations, the City and District maintain a solid foundation of governance, service quality, and financial strength, supporting sustainable and effective service delivery across the community. A review of the Carlsbad region relative to San Diego LAFCO's growth management tasks and municipal service review standards produces five central themes or conclusions. These conclusions collectively address core policy considerations, operational trends, and growth and development factors present within the community. They also examine potential sphere of influence considerations for the City of Carlsbad and CMWD. The conclusions are independently drawn and sourced from information collected and analyzed by the Commission between 2019 and 2023, with limited exceptions, and are detailed within each agency profile provided in the full MSR.

The review draws on fiscal years 2019 through 2023, the most recent audited data available when the study began. Two more fiscal years will have closed by the time the review is adopted — a gap the Commission should weigh, though nothing in the record suggests those years would change the core findings. Both agencies show stable governance and adequate capacity. CMWD's finances are sound; the City's are relatively sound, with revenue, expenditure, and pension trends worth watching, alongside the District's narrowing margins. These are slow-moving patterns, not sudden problems — the kind of trends more data would likely confirm than reverse. Staff therefore finds the existing record a reasonable basis for completing the review, with the next periodic review as a safeguard if conditions change.

No. 1
Transitioning to Stewardship: Managing Growth and Resources in Carlsbad

Carlsbad is a maturing, financially steady coastal city that has shifted from rapid expansion to stewardship, focusing on refining services and managing existing resources. With largely stable boundaries, the City is approaching build-out under current zoning and emphasizes infill development. Population growth has slowed to under 1% annually since 2010, reflecting the long-term effects of a voter-approved 1986 growth management program. Housing production now favors infill and redevelopment within largely built-out conditions. Development patterns are influenced by land availability, infrastructure capacity, and regulatory frameworks.

No. 2
Strong Governance, Adaptive Services, and Susutainable Management in Carlsbad

Carlsbad benefits from a strong governance framework that emphasizes transparency, coordination, and long-term planning, supported by active boards, updated service plans, and organizational continuity. The City delivers high-performing, adaptable services across all major functions, responding to changing needs through fire service expansions, library and recreation adjustments, and community developments. As the City approaches build-out, the focus shifts from growth to sustaining quality services, with key challenges including aging wastewater infrastructure, ongoing fire staffing needs, adapting parks and cultural services to demographic changes, and maintaining effective service delivery amid evolving market conditions and regulatory frameworks.

No. 3
Financial Strength and Emerging Fiscal Challenges in Carlsbad

Carlsbad's financial position is exceptionally strong, with consistent operating surpluses, substantial growth in General Fund reserves, and low debt levels well below standard thresholds. This fiscal strength reflects prudent management and has allowed the City to maintain services through economic disruptions. At the same time, emerging trends highlight potential long-term pressures: General Fund expenditures are growing faster than revenues - driven largely by rising public safety costs - and pension obligations are increasing, with funded ratios approaching cautionary levels. These dynamics suggest that while Carlsbad is financially secure today, careful planning will be needed to sustain this stability into the future.

No. 4
Bottom Line

This review confirms Carlsbad is well-positioned to continue providing reliable, high-quality municipal services within its jurisdiction through the foreseeable planning horizon.

No. 5
LAFCO Interests Going Forward

Looking ahead, boundary and governance considerations merit Commission attention. Areas along the State Route 78 corridor reflect service and maintenance inconsistencies between Carlsbad and adjacent jurisdictions, suggesting the value of focused study areas. Additionally, the presence of McClellan-Palomar Airport - owned and operated by the County but located within City boundaries - presents an ongoing governance and service alignment consideration, particularly with respect to public safety and community impacts.

Carlsbad Holiday Parade

Recommendations

The following recommendations identify priority actions and policy directed to the City of Carlsbad, LAFCO, and/or other affected agencies. Recommendations calling for LAFCO action are dependent on a subsequent directive from the Commission and through the annually adopted work plan.

1. Consistent with its legislative directive to promote orderly development, the Commission should continue to prioritize urban growth within Carlsbad - including development that might otherwise occur in adjacent unincorporated areas - recognizing the City's established and appropriate role as a full-service urban center. This growth-direction principle should be paired with deference to the City's General Plan where municipal policies advance regional efficiency and compact urban form.
2. While statute encourages the Commission to evaluate private and mutual water companies as part of its municipal service review program, the Commission should defer this topic to a future, county-wide informational report. A dedicated analysis would allow for a comprehensive understanding of private system performance and regulation rather than piecemeal consideration within individual regional reviews.
3. Carlsbad maintains a unique governance relationship and oversight of Carlsbad Municipal Water District (CMWD) - a separate legal entity with its own taxing authority that is responsible for providing potable water and recycled water services to about 82% of Carlsbad. Carlsbad should consider opportunities to further enhance CMWD's separate and important status as the potable and recycled water provider in public-facing materials - including the City's website agendas and budget documents.
4. Given the overlapping service boundaries among Carlsbad, CMWD, Leucadia Wastewater District, Olivenhain Municipal Water District, Vallecitos Water District (outside the scope of this regional review), and Encina Wastewater Authority, the Commission should encourage periodic coordination meetings to advance shared-service objectives. Discussion should include opportunities for operational integration and potential functional or structural consolidation across water, wastewater, and recycled-water services consistent with Commission policy and the long-term interests of ratepayers in reliable, cost-effective service delivery.
5. McClellan–Palomar Airport, owned and operated by the County of San Diego but located within Carlsbad, generates measurable impacts on local traffic, noise, water utility, and public-safety services without corresponding City control over its operation or expansion. In advance of the next review cycle, LAFCO should evaluate service and governance conditions at the airport and offer to convene and facilitate the County and the City in exploring a more equitable service arrangement - including service agreements, operational coordination, and any other mechanisms the parties identify - to better align decision-making authority with impact responsibility.

6. Jurisdictional boundaries along the State Route 78 corridor are misaligned with built roadway conditions and service responsibilities, resulting in fragmented maintenance and emergency-response accountability. Beyond service delivery concerns, this situation also raises basic governance considerations, as certain parcels fall within one jurisdiction despite being functionally accessed or served through another. LAFCO should initiate or facilitate a technical boundary review with Carlsbad and Oceanside to reconcile illogical and inefficient jurisdictional lines with functional service delivery as appropriate.

7. LAFCO should proceed with a limited sphere of influence update for Carlsbad to reaffirm existing designations and establish one or more special study areas.

    a. One special study area has been identified to date along the State Route 78 corridor. This designation would support Recommendation 4.2.6 by enabling a focused technical review of potential boundary refinements between Carlsbad and Oceanside to better reflect built conditions and service realities.

Carlsbad Municipal Water District Themes and Conclusions

A review of the Carlsbad Municipal Water District relative to LAFCO's service review framework produces eight central themes and conclusions based on the 2019–2023 reporting period.

No. 1
Organizational Evolution & Governance

CMWD has transitioned from an independent special district to a fully integrated component of Carlsbad's municipal structure. The 1990 reorganization resolved prior jurisdictional conflicts and established a unified governance model that supports efficient operations, coordinated management of potable and recycled water services, and alignment under the City Council. While governance is effective, opportunities remain to improve public awareness of CMWD's distinct legal and financial authority.

No. 2
Operational Stability & Capacity

The District demonstrates consistent operational performance, with financial stability, minimal volatility in demand, and modern infrastructure. Substantial excess capacity across its water supply, transmission, and storage systems positions CMWD to meet future growth without major expansion. Overall, it remains a resilient and well-managed organization, though some softening in financial margins has been observed.

No. 3
Customer Value and Strategic Considerations

CMWD provides strong ratepayer value, maintaining water rates below regional averages while absorbing rising wholesale costs. Looking ahead, the District will need to sustain competitive rates, monitor narrowing operating margins, and enhance transparency regarding its independent governance and financial structure.

Recommendations

The following recommendations identify priority actions and policy directions directed to the CMWD, LAFCO, and/or other affected agencies. Recommendations calling for LAFCO action are dependent on a subsequent directive from the Commission and through the annually adopted work plan.

1. Carlsbad MWD should consider additional opportunities to enhance public-facing communications - including website content, meeting agendas, and budget documents - to more clearly distinguish the District's separate legal status, taxing authority, and its role as the primary provider of potable and recycled water serving most of Carlsbad.
2. LAFCO should proceed with its tentative study schedule commitment to prepare a comprehensive countywide municipal service review on recycled water. This review should include, among other features, a detailed examination of current and future demands within CMWD's jurisdictional boundary. It would also be beneficial to assess service boundary rationalization among recycled water providers in the Carlsbad-Encinitas region, including CMWD and Leucadia, to help ensure efficient service delivery and collaboration.
3. At an appropriate future juncture, LAFCO and Carlsbad MWD should evaluate the potential benefits of utilizing the District's existing latent authority under the Municipal Water District Act to provide wastewater services. This assessment could identify opportunities for governance efficiencies and improved coordination among services that may ultimately benefit Carlsbad ratepayers.
4. The analysis covered in this municipal service review supports LAFCO in proceeding with a limited update to the sphere of influence, which would reaffirm Carlsbad MWD's existing designation. However, as a telegraph to potential changes in the future, it is recommended LAFCO create one or more special study areas mirroring designations being concurrently recommended for the City of Carlsbad. This approach includes capturing boundary deviations that have developed between the District and the City of Oceanside concerning their respective potable water and recycled water functions along State Route 78.

About Us

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

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

San Diego LAFCO's Commission

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

Kristi Becker
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SAN DIEGO COUNTY
LOCAL AGENCY FORMATION COMMISSION

MUNICIPAL SERVICE REVIEW
CARLSBAD-ENCINITAS REGION

CARLSBAD SUBREGION, PART I
City of Carlsbad
Carlsbad Municipal Water District

PROPOSED FINAL REPORT
June 2026

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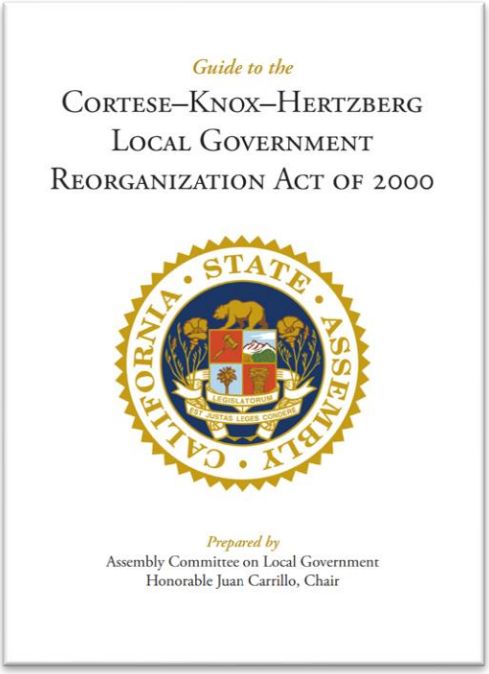
CHAPTER ONE
INTRODUCTION

1.0 LOCAL AGENCY FORMATION COMMISSIONS

1.1 Authority and Objectives

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



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

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

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

Second, LAFCOs serve an analytical and advisory function:

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

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

1.2 Regulatory Responsibilities

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

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

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

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

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

1.3 Planning Responsibilities

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

Informing + Telegraphing Future Boundary and Service Changes...

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

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

Spheres of Influence

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

Gatekeeping Urban Growth + Municipal Services...

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

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

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

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

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

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

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

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

Municipal Service Reviews

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

State-Required Check-Ins…

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

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

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

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

1.4 LAFCO Decision-Making

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

Appointments + Duties…

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

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

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

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

1.5 Prescriptive Funding

CKH requires local agencies to fully fund LAFCOs' annual operating costs through a prescribed funding structure. This funding arrangement stems from early negotiations during LAFCO's creation, ensuring that local officials – rather than the Legislature – retain decision-making authority over commission operations.

Counties are generally responsible for one-third of LAFCO's annual operating costs, with the remaining two-thirds divided equally between cities and independent special districts. Allocations to cities and special districts are calculated using a standard formula based on total revenues as reported by the State Controller's Office, unless an alternative method has been approved by a majority of the affected local agencies. Funding proportions may differ when LAFCOs have additional representation through special legislation. LAFCOs are also authorized to collect application fees to offset local agency contributions.

2.0 SAN DIEGO LAFCO

2.1 Adopted Policies and Procedures

Most of San Diego LAFCO's ("Commission") existing policies and procedures were established in the 1970s and subsequently updated in the 2000s following CKH's enactment. These policies and procedures collectively guide the Commission in implementing LAFCO law in San Diego County consistent with regional growth management priorities while allowing discretion to address local conditions.

The Commission has also established specific policies and procedures for preparing sphere updates and municipal service reviews. This includes Policy L-106, which directs the Executive Officer to regularly prepare municipal service reviews of appropriate scope and detail to inform the Commission's sphere updates at five-year intervals.

2.2 Commission Information

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

The Commission roster as of June 2026.

Kristi Becker
Chair
City of Solana Beach

Barry Willis
Vice Chair
Alpine Fire District

Stephen Whitburn
Past Chair
City of San Diego

Paloma Aguirre
Commissioner
County of San Diego

Joel Anderson
Commissioner
County of San Diego

Bridgette Browning
Commissioner
Public Member

Jo MacKenzie
Commissioner
Vista Irrigation

Dane White
Commissioner
City of Escondido

Eileen Delaney
Alternate
Public Member

David Drake
Alternate
Rincon Del Diablo

John McCann
Alternate
City of Chula Vista

Monica Montgomery Steppe
Alternate
County of San Diego

Marni von Wilpert
Alternate
City of San Diego

2.3 Administration Information

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

CHAPTER TWO
EXECUTIVE SUMMARY

1.0 OVERVIEW

This report is the first of two parts comprising San Diego LAFCO's scheduled municipal service review of the Carlsbad–Encinitas region in northwest San Diego County. It is prepared by LAFCO staff, with technical assistance from outside consultants, in accordance with the Commission's adopted workplan and the scope of work approved by the Executive Officer pursuant to delegations established under adopted policy. Consistent with this delegation, the Executive Officer has administratively organized the two parts on separate processing timelines to better focus on the distinct city-district service relationships within each subregion. This first part addresses the Carlsbad subregion and its two local agencies: the City of Carlsbad and Carlsbad Municipal Water District (CMWD). The second part will be presented separately and will cover the Encinitas subregion and the four local agencies operating within that area.

Regional MSR, Part I: Carlsbad Subregion…

This report represents the first of two parts of the Commission's scheduled municipal service review covering the Carlsbad-Encinitas region. This report is specific to the Carlsbad subregion and two local agencies under LAFCO's jurisdictional oversight: City of Carlsbad and Carlsbad Municipal Water District.

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

1.1 Key Premises, Assumptions + Benchmarks

The Executive Officer has designed this report to serve as a foundational document to be periodically drawn on, and expanded upon, by LAFCO in preparing future municipal service reviews covering the Carlsbad-Encinitas region. This foundational aspect involves dedicating report energy to documenting the subject agencies' historical evolution and creating a relatively extensive catalog of demographic, service, and financial information. It is expected LAFCO will revisit the report and its key assumptions and benchmarks approximately every five to ten years, consistent with the timetable established by the Legislature and reflected in local policy. This periodic review will enable the Commission to assess the accuracy of earlier projections and adjust its approach accordingly.

Key premises, assumptions, and benchmarks underlying the report follow.

Defining Scope

Subject Agencies Covered

This report evaluates the two subject agencies in the Carlsbad subregion: the City of Carlsbad and CMWD. Several other local agencies also provide services within the subregion but will be evaluated as part of separate municipal service reviews under the Commission's rolling study schedule. These include Vallecitos Water District, along with several regional entities: County Service Area No. 135 (regional communications), Tri-City Healthcare District, North County Cemetery District, Resource Conservation District of Greater San Diego County, and North County Transit District. Additionally, some agencies – such as Olivenhain Municipal Water District and Leucadia Wastewater District – serve portions of the Carlsbad subregion but largely operate within the Encinitas subregion and accordingly will be covered in the second part of this regional review.

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Who's Covered...

While numerous local agencies provide services in the Carlsbad subregion, this review focuses exclusively on the two under direct Commission jurisdiction: the City of Carlsbad and Carlsbad Municipal Water District.

Defining Scale

Municipal Services Covered

This report reviews most – but not all – of the municipal service functions provided by the two subject agencies. As authorized under adopted policy, the Executive Officer has focused the review on the service functions most relevant to each agency's core purposes and influence on growth and development, while also aligning with current and planned LAFCO activities. This targeted approach is most evident in the City of Carlsbad analysis, which centers on five service functions: wastewater, integrated fire protection (fire, rescue, emergency medical services, and ambulance transport), parks and recreation, library and cultural arts, and community development. Other essential municipal services provided by Carlsbad – including police protection and solid waste – are briefly addressed, with the expectation of expanded analysis in future reports. Similarly, this report is limited to CMWD's potable water service function, with its recycled water function reserved for a future regional water evaluation.

What's Covered...

Not every service gets equal attention. This review targets the municipal functions most relevant to each agency's core purposes and influence on growth and development–a strategic approach that reflects both policy priorities and available + planned resources.

Looking Back

Determining the Report Period + Data Collection Window

The report period for this analysis primarily covers a five-year span covering fiscal years 2019 through 2023, with limited exceptions where additional context is warranted. For example, population and housing demographics extend back to the 2010 Census to support longer-term trend interpretation. This five-year financial data window is based on the most recently available audited financial statements at the time the analysis commenced and aligns with the Commission's five-year review cycle. It reflects the foundational methodological premise that recent trends provide the most reliable basis for near-term projections.

Informing Years...

The analysis primarily draws on a five-year data window from 2019 through 2023, with the latter year selected based on the most recently available audited financial statements at the time of commencement. This five-year window creates a methodological mirror: what happened recently is the best guide to what's likely next.

Collectively, this period serves as the primary analytical baseline for Part I of the report (Carlsbad and CMWD), which reflects an already extensively reviewed dataset and established analytical framework. Part II (Encinitas, Leucadia Wastewater District, Olivenhain Municipal Water District, and San Dieguito Water District) incorporates an expanded data window through fiscal year 2025 based on Commission feedback.

Looking Forward

Report Timeframe + Coverage of Future Actions

The planning horizon for this report extends five years out to 2031. This creates a projection period anchored in the data collected from 2019 to 2023, consistent with the review cycle prescribed for municipal service reviews under state law. It will directly inform all sphere of influence, boundary, and out-of-agency service decisions within the Carlsbad subregion over the next five years. The Commission will evaluate any sphere, boundary, or out-of-agency proposals during this period against the analysis provided in this report. Proposals deemed inconsistent with these findings will require additional supporting analysis – either through an addendum or a new municipal service review – to merit Commission approval.

2031 Benchmark…

This report sets the standard through 2031. Any sphere, boundary change, or out-of-agency proposals deemed inconsistent with these findings will require additional analysis – either through an addendum or a new municipal service review – to merit Commission approval.

Demographics

Calculating Population, Housing, + More

Population and housing estimates in this report are derived from Esri data, which in turn draws on the U.S. Census Bureau's American Community Survey (ACS), using census tract boundaries aligned with the boundaries of the two agencies under review. This methodology has become standard practice for LAFCO's municipal service reviews given Esri's mapping tools align readily with both city and special district boundaries. Five-year block projections are based on trends observed since the 2010 Census. LAFCO also uses Esri's ACS integration to assess broader demographic characteristics.

Data Sources...

This report uses Esri demographic data – which sources its data from the American Community Survey (Census) – given the mapping software readily aligns with both city and special district boundaries and ensures demographic consistency across all jurisdictions under LAFCO review.

Macro-Level

Systemwide Focus

When quantifying the availability, demand, and adequacy of the municipal service functions provided by the two subject agencies, this report focuses on systemwide service outputs. For example, the analysis evaluates annual utility demands across entire service systems rather than breaking down performance by specific service areas or zones. This macro-level approach informs broad determinations about service capacity and trends. Where more granular analysis would be beneficial, the report identifies the need for micro-level evaluation as part of future addenda or municipal service reviews.

30,000 Foot View...

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

Benchmarking Infrastructure Needs and Deficiencies

The report evaluates infrastructure capacity and deficiencies by analyzing average system demands across the five-year report period rather than relying on single-year snapshots. This approach provides a more reliable account of typical service demands and smooths out the year-to-year outliers that might skew capacity assessments. Where the analysis instead prioritizes final year demands over five-year averages, those instances are noted.

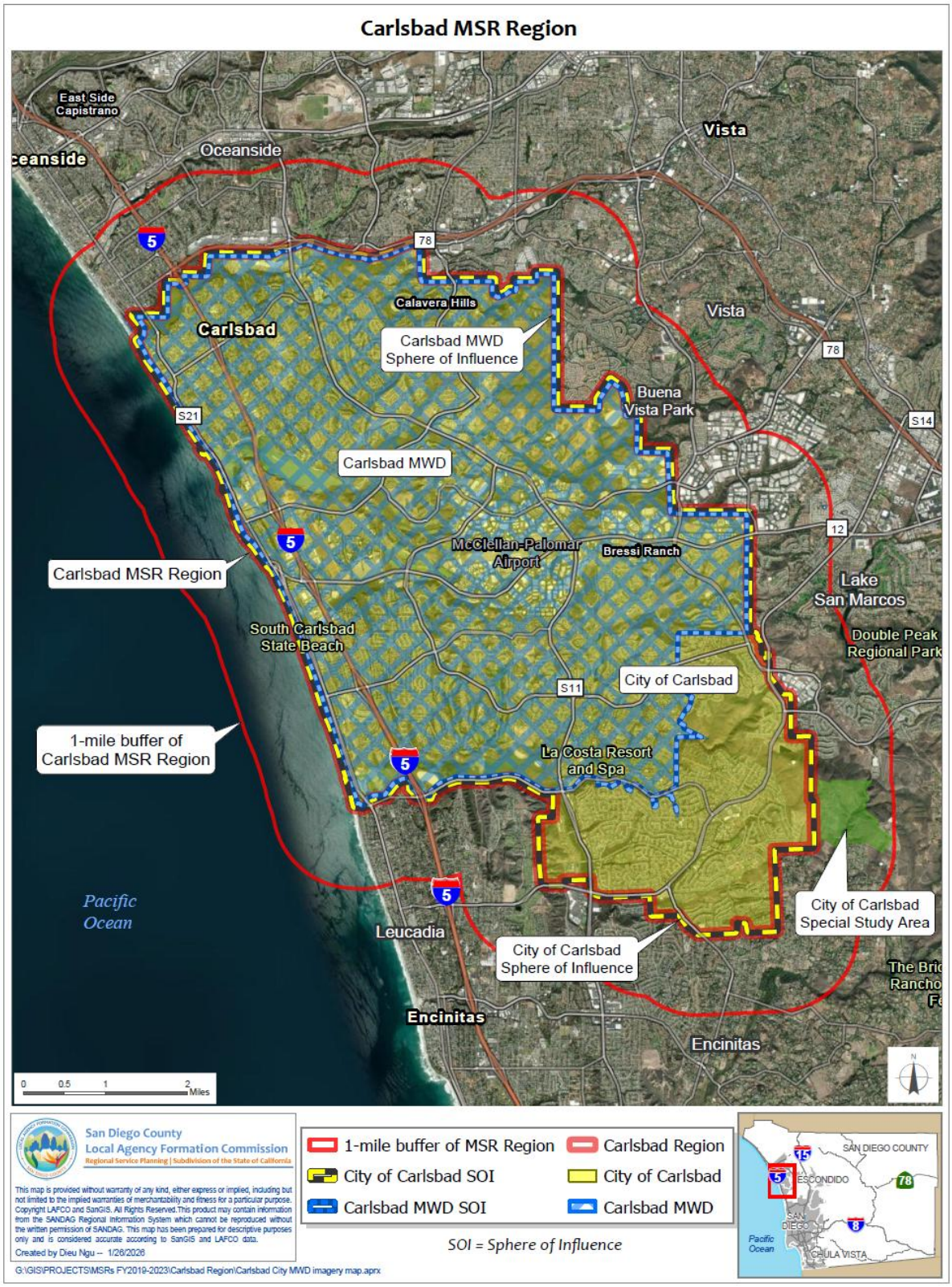
Protecting Against Outliers…
Infrastructure assessments rely on five-year average demands, not single-year snapshots. This approach provides a more reliable picture of typical service levels and prevents year-to-year anomalies from distorting capacity evaluations.

Benchmarking Fiscal Standing

The report employs several diagnostic tools to assess the financial standing of the two subject agencies. The analysis relies primarily on audited financial statements to evaluate liquidity, capital reserves, operating margins, and capital asset management – with particular attention to trends rather than single-year results. Financial performance is benchmarked against both industry standards and regional peers.

Best Practices…
The report evaluates financial health using audited statements, trend analysis, and comparative benchmarking. Each agency receives ratings – good, average, or other – based on how it performs against both industry standards and regional peers.

Map No. ES-1


Carlsbad MSR Region
East Side Capistrano
Oceanside
Vista
Calavera Hills
Carlsbad
Carlsbad MWD Sphere of Influence
Vista
Buena Vista Park
Carlsbad MWD
McClellan-Palomar Airport
Bressi Ranch
Lake San Marcos
Double Peak Regional Park
Carlsbad MSR Region
South Carlsbad State Beach
City of Carlsbad
1-mile buffer of Carlsbad MSR Region
La Costa Resort and Spa
Pacific Ocean
Leucadia
City of Carlsbad Special Study Area
City of Carlsbad Sphere of Influence
Encinitas
Encinitas
San Diego County Local Agency Formation Commission
Regional Service Planning | Subdivision of the State of California
1-mile buffer of MSR Region
Carlsbad Region
City of Carlsbad SOI
City of Carlsbad
Carlsbad MWD SOI
Carlsbad MWD
SOI = Sphere of Influence
SAN DIEGO COUNTY
ESCONDIDO
SAN DIEGO
CHULA VISTA
Pacific Ocean
Created by Dieu Ngu -- 1/26/2026
G:\GIS\PROJECTS\MSRs FY2019-2023\Carlsbad Region\Carlsbad City MWD imagery map.aprx

2.0 REPORT ORGANIZATION

This chapter serves as the Executive Summary and outlines the key conclusions and recommendations generated within the report germane to LAFCO's growth management interests and duties.[4] It is preceded by individual agency profiles for the City of Carlsbad and CMWD (Chapter Three), which follow a uniform structure marked by qualifying and quantifying demographics, services, and financial standing, followed by written determinations addressing statutory and local policy factors.

3.0 GEOGRAPHIC AREA

State law requires LAFCO to formally designate the geographic area covered by a municipal service review. The geographic area for this report is approximately 39 square miles. It encompasses the City of Carlsbad's jurisdictional boundary and sphere of influence along with a surrounding 1.0-mile buffer zone to capture potential sphere and/or boundary changes over the next five-year period. CMWD's jurisdictional boundary and sphere of influence, totaling 32 square miles, fall entirely within this footprint. An illustration of the geographic area is provided on the preceding page.

4.0 CITY OF CARLSBAD SUMMARY

4.1 Central Themes and Conclusions

LAFCO's independent review of the City of Carlsbad shows a full-service municipality well into its transition from expansion mode – organizational development, annexations, and major infrastructure investments – to stewardship and the core task of sustaining and adjusting public services to community needs and available resources. Across the five service functions examined – wastewater, integrated fire protection, parks and recreation, library and cultural arts, and community development – the analysis confirms Carlsbad is a high-functioning agency effectively serving its constituencies. This effectiveness is marked by consistently meeting and/or surpassing performance benchmarks while finishing the five-year reporting period ending in 2023 with strong fiscal reserves and low debt obligations. LAFCO's forward-looking mandate, however, requires attention to both quantitative and qualitative consideration of emerging pressures identified around infrastructure reinvestment, pension obligations, and housing affordability. These and other conclusions are detailed as follows.

[4] The Executive Summary purposefully distinguishes between "conclusions," and "recommendations." Conclusions refer to general policy takeaways. Recommendations address specific actions that are drawn from the written determinations prepared for each affected agency, which may or may not related to a conclusionary theme.

4.1.1 Organization Mode: Expansion to Stewardship

Carlsbad represents a maturing, financially steady, and operationally disciplined coastal municipality that has purposefully transformed itself over the last several decades and is now more defined by refinement than growth. The jurisdictional boundary has remained largely stable for more than a decade, and other than a sizeable investment in expanding public safety and creating a standalone Housing and Homeless Services department, staffing levels have grown moderately through the five-year reporting period ending in 2023. Carlsbad's boundary is now approaching buildout relative to current zoning standards and largely framed by fixed geographic constraints – the Pacific Ocean to the west and mostly incorporated cities on the other three sides – marking a long-term shift from outward expansion to infill development.

4.1.2 Population Growth in Lower + Deliberate Gear

Carlsbad's population trends similarly underscore a transition from expansion to stewardship. Since 1986, Carlsbad has grown under a voter approved growth management program built around two components: capping residential units and requiring new development to fully fund supporting infrastructure. And while changes in state law have curtailed these types of local control measures – specifically reducing local discretion over housing approvals and softening the connection between new development and infrastructure funding – the effects of Carlsbad's 1986 program appear to have largely played out as intended. Carlsbad's estimated population of 116,428 at the end of the five-year report period in 2023 represents modest average annual growth of slightly less than 1% since the 2010 census — a sharp deceleration from the roughly 6% yearly average sustained between 1970 and 2000. Housing production has similarly shifted to mostly infill and redevelopment of smaller scale projects rather than master-planned subdivisions that characterized earlier growth cycles.

4.1.3 Housing Demand + Affordability Gap

Running alongside Carlsbad's transition to stewardship in step with the community's interests in controlled growth is a persistent imbalance between housing demand and supply. Carlsbad's population-to-housing ratio since the 2010 census quantifies the tightening housing market at 2.9 – unfavorably higher than the City's cumulative historical ratio of 2.4. (The lower ratio of 2.1 during the five-year reporting period ending in 2023 reflects decelerating population growth rather than expanding supply.) And while Carlsbad's sustained Housing Element work has done its part in creating the zoning

environment to increase supply, it has not resolved the challenge developers face in balancing costs and returns – a dynamic that shows itself in average home values reaching $1.45 million at the close of the five-year reporting period in 2023 and a 10-to-1 price to income ratio. This suggests that, at least in theory, those who can afford to buy homes in Carlsbad are increasingly coming from outside the community, putting added pressure on long-term and lower-income residents. Regulatory efforts by Carlsbad to bridge the affordability gap – including an inclusionary housing ordinance (passed in 1993) requiring 15% affordability in new residential production to be based on total units – have been reduced as a result of a recent Attorney General opinion.[5]

4.1.4 Governance Advantage

Carlsbad's governance system appears well-aligned with meeting community needs in an open and balanced manner. All five service functions examined in this municipal service review are guided by contemporary planning documents aligned with the City's General Plan Update (2015) and harmonized through the City Council's five-year strategic plan (2022) – a structured alignment that facilitates reasoned and transparent decision-making. A comprehensive network of boards, commissions, and advisory committees provides an additional layer of public input on policy development and program priorities, contributing to decisions that appear informed and appropriately telegraphed. This optimal alignment similarly appears to extend to management and its organizational capacity – evidenced by its attentiveness to external partnerships, the orderly 2024 transition in the City Manager's Office as a product of earlier succession planning, and the measured restructuring in 2022 that elevated housing and homeless services to a standalone department.

4.1.5 High Performing + Adaptive Services

Across all five service functions examined, Carlsbad has demonstrated consistent evidence of a well-managed full-service municipality through the five-year reporting period ending in 2023 – adequately allocated resources, sufficient operational capacities, and measurable performance. Carlsbad has also shown a consistent ability to adapt and realign resources during the reporting period – expanding integrated fire protection services to meet rising emergency demand, repositioning library facilities to serve evolving community uses, and reorganizing administratively to elevate housing as a core municipal priority, and properly so. Existing pressures – such as elevated inflow and infiltration in the wastewater system linked to shared infrastructure with Buena Sanitation District (BSD), a capital replacement

[5] Reference to California Attorney General Opinion No. 24-501.

fund with a negative balance, and a persistent gap between housing production and income levels – are clearly identified and appropriately addressed by the City.

4.1.6 Service Questions Going Forward

Carlsbad's operational success and demonstrated adaptability through the five-year report period ending in 2023 does not eliminate municipal service challenges – such challenges remain and are reflected in emerging tensions as Carlsbad approaches its planned buildout with a more confined customer base to spread costs. The relevant question is not whether Carlsbad currently delivers high-quality services – the evidence confirms it does – but whether the resources required to maintain this level of service remain adequate going forward. These sustainability questions present differently across each service function, though common patterns emerge.

a) The **wastewater** function depends on increasingly aging infrastructure showing inflow and infiltration acceleration – especially with respect to shared interceptor with BSD that has proven susceptible during the reporting period to storm events. Compounding this dynamic, Carlsbad's 15-year, $112.0 million sewer replacement capital program is funded entirely through operating surpluses, with the dedicated replacement fund carrying a negative balance at the close of the report period in 2023 – making continued surplus essential to keeping pace with needed improvements.[6]

b) Recent additions to the **integrated fire protection** function were made to align staffing with documented demand increases and, more importantly, to address a backlog created by years of minimal workforce growth. This expansion represents a time-bound catch-up effort rather than a new ongoing growth rate, though maintaining a similar pace over the long term would warrant attention to overall fiscal capacity.

c) Carlsbad has invested substantially in **parks and recreation** facilities, but demographic shifts – particularly a modestly aging and active population – may change future program and facility needs. These dynamics remain fluid due to recent changes in state housing laws, which will likely result in additional family-oriented housing in areas previously planned for lower density housing.

[6] Subsequent FY2025–2026 projections indicate an improved near-term fund position, with the Sewer Replacement Fund remaining positive throughout the forecast period. This reflects updated revenue and expenditure assumptions; however, it does not alter the long-term requirement for sustained operating surpluses to support the capital program and address ongoing infrastructure renewal needs.

d) The **library and cultural arts** function demonstrated responsiveness during the reporting period by expanding digital offerings in line with shifting consumer preferences while continuing to provide physical facilities as community gathering spaces. As community needs and preferences for library and arts services continue to evolve, Carlsbad's approach to delivering these services will merit attention in future reviews, particularly as municipalities seek to maximize the value of General Fund–supported services.

e) The **community development** function effectively processes applications and meets Regional Housing Needs Allocation (RHNA) compliance targets; however, the high cost of housing development and increasing regulatory complexity make the production of affordable housing increasingly difficult. In today's market, developers often pursue projects in jurisdictions where costs, requirements, and timelines allow for more viable returns, highlighting the practical limits of municipal planning authority without additional tools or incentives.

4.1.7 Strong Financial Position

Carlsbad's financial position at the close of the five-year reporting period ending in 2023 is, by most measurable standards, exceptionally strong. Markedly, the City generated operating surpluses in four of the five years, grew its General Fund balance by one-third to an amount equal to eight months of actual expenses, and finished with a debt ratio of 14% – less than a third of standardized solvency caution thresholds. These indicators reflect sustained fiscal acumen that has allowed Carlsbad – unlike other local municipalities – to navigate the pandemic and inflationary pressures present during the reporting period without resorting to budget cuts, layoffs or permanent service reductions.

4.1.8 Financial Questions Going Forward

Carlsbad's exceptional financial position at the close of the five-year reporting period in 2023 does not eliminate emerging fiscal questions meriting attention in future reviews. These questions materialize given the narrowing trend across multiple margin measurements – total operating costs grew five percentage points faster than revenues over the reporting period, and within the General Fund specifically, expenses outpaced revenues by eight percentage points, with rising public safety costs as the key driver. Pension obligations add a further layer of consideration, with Carlsbad's funded ratio

approaching the 70% cautionary threshold at the report period close and liabilities growing faster than assets.[7]

4.1.9 Bottom Line

This municipal service review confirms Carlsbad is well-positioned to provide reliable, high-quality services within its jurisdictional boundary through the timeframe of the review.

4.1.10 LAFCO Interests Going Forward

Looking ahead to the upcoming sphere of influence update, boundary refinements along the State Route 78 corridor warrant Commission attention. Service and maintenance responsibilities between Carlsbad and Oceanside have become misaligned with built conditions, suggesting the establishment of one or more study areas as a productive interim step toward resolution. Separately, McClellan-Palomar Airport presents a unique governance question. The facility, owned and operated by the County of San Diego, lies entirely within Carlsbad's jurisdictional limits. The airport's presence shapes resident concerns around traffic, noise, and quality of life while influencing municipal resource deployment – particularly public safety services – without corresponding governance control. LAFCO should consider evaluating service and governance conditions at the airport ahead of the next review cycle, including opportunities to enhance alignment of public safety and utility responsibilities with resources and community needs.

4.1.11 Data Gap in Context

The analysis rests on a five-year data window covering fiscal years 2019 through 2023, selected as the most recent audited period available at commencement. By the time both the analysis and the policy-prescribed administrative review conclude, two additional completed fiscal years sit outside that window – a gap the Commission should weigh deliberately. Nothing observed across the reporting period suggests the intervening years would alter foundational recommendations or determinations. Across all evaluated functions, the City of Carlsbad shows stable governance, adequate service capacities, and relatively sound financial footing. The watch-items the report does identify are slow-moving structural patterns rather than acute disruptions – trends two additional years of data would more likely confirm than overturn. On this basis, staff concludes the existing

[7] The City of Carlsbad established a Section 115 Pension Trust in September 2023 and has since contributed $25 million, earning approximately 16% over a two-year period. These funds are available to the City to reimburse operating budgets during periods of extreme pension rate volatility and to fund potential changes in CalPERS actuarial assumptions in the future.

record provides a reasonable foundation for completing the municipal service review as presented, without extending the data window – with the next periodic review serving as a Commission-safeguard should conditions shift.

4.2 Recommendations

The following recommendations identify priority actions and policy directions directed to the City of Carlsbad, LAFCO, and/or other affected agencies. Recommendations calling for LAFCO action are dependent on a subsequent directive from the Commission and through the annually adopted work plan.

4.2.1 Prioritize Urban Growth within Carlsbad

Consistent with its legislative directive to promote orderly development, the Commission should continue to prioritize urban growth within Carlsbad – including development that might otherwise occur in adjacent unincorporated areas – recognizing the City's established and appropriate role as a full-service urban center. This growth-direction principle should be paired with deference to the City's General Plan where municipal policies advance regional efficiency and compact urban form.

4.2.2 Countywide Review of Private and Mutual Water Companies

While statute encourages the Commission to evaluate private and mutual water companies as part of its municipal service review program, the Commission should defer this topic to a future, countywide informational report. A dedicated analysis would allow for a comprehensive understanding of private system performance and regulation rather than piecemeal consideration within individual regional reviews.

4.2.3 Enhancing Public Recognition of CMWD's Independent Governance Status

Carlsbad maintains a unique governance relationship and oversight of Carlsbad Municipal Water District (CMWD) – a separate legal entity with its own taxing authority that is responsible for providing potable water and recycled water services to about 82% of Carlsbad. Carlsbad should consider opportunities to further enhance CMWD's separate and important status as the potable and recycled water provider in public-facing materials – including the City's website agendas and budget documents.

4.2.4 Regional Coordination Among Nearby Districts Water/Wastewater Districts

Given the overlapping service boundaries among Carlsbad, CMWD, Leucadia Wastewater District, Olivenhain Municipal Water District, Vallecitos Water District (outside the scope of this regional review), and Encina Wastewater Authority, the Commission should encourage periodic coordination meetings to advance shared-service objectives. Discussion should include opportunities for operational integration and potential functional or structural consolidation across water, wastewater, and recycled-water services consistent with Commission policy and the long-term interests of ratepayers in reliable, cost-effective service delivery.

4.2.5 Evaluate Governance Alignment at McClellan-Palomar Airport

McClellan–Palomar Airport, owned and operated by the County of San Diego but located within Carlsbad, generates measurable impacts on local traffic, noise, water utility, and public-safety services without corresponding City control over its operation or expansion. In advance of the next review cycle, LAFCO should evaluate service and governance conditions at the airport and offer to convene and facilitate the County and the City in exploring a more equitable service arrangement – including service agreements, operational coordination, and any other mechanisms the parties identify - to better align decision-making authority with responsibility for local impacts.

4.2.6 Jurisdictional Misalignment Along SR-78 Corridor

Jurisdictional boundaries along the State Route 78 corridor are misaligned with built roadway conditions and service responsibilities, resulting in fragmented maintenance and emergency-response accountability. Beyond service delivery concerns, this situation also raises basic governance considerations, as certain parcels fall within one jurisdiction despite being functionally accessed or served through another. LAFCO should initiate or facilitate a technical boundary review with Carlsbad and Oceanside to reconcile illogical and inefficient jurisdictional lines with functional service delivery as appropriate.

4.2.7 Reaffirm Current Sphere with Qualifier

LAFCO should proceed with a limited sphere of influence update for Carlsbad to reaffirm existing designations and establish one or more special study areas.

a) One special study area has been identified to date along the State Route 78 corridor. This designation would support Recommendation 4.2.6 by enabling a focused technical review of potential boundary refinements between Carlsbad and Oceanside to better reflect built conditions and service realities.

5.0 CARLSBAD MUNICIPAL WATER DISTRICT SUMMARY

5.1 Central Themes and Conclusions

LAFCO's independent review of CMWD shows a well-managed subsidiary at the end of the five-year reporting period in 2023 delivering reliable potable water service at rates significantly below regional averages – a distinction attributable to its unique structural integration with the City of Carlsbad and its economies of scale. CMWD carries available capacity across its supply, transmission, and storage network, positioning it to readily accommodate current and future growth through the timeframe of this review. CMWD's consolidated oversight of both potable and recycled water functions represents an additional structural advantage uncommon in San Diego County with the ability to avoid service competition and manage revenue adjustments that otherwise challenge other local providers. Financially, CMWD closed the reporting period with largely positive benchmarks – high liquidity, minimal debt, and relatively young infrastructure. Looking ahead, LAFCO's principal interests center on CMWD's competitive rate position through the next review cycle, tracking the trajectory of operating margins, and encouraging efforts to elevate its visibility as a separate legal entity with its own taxing authority and distinct service responsibilities. These and other conclusions are detailed as follows.

5.1.1 Unexpected Journey

The formation of CMWD in 1954 as an independent special district reflected the community's steadfast interest in remaining separate from City control. The decades that followed brought evolving jurisdictional relationships, overlapping service territories, and even litigation between the two agencies. Nearly 75 years later, those challenges have turned into opportunities and CMWD now operates as a seamless component of Carlsbad's municipal structure – its five-member elected board replaced by the City Council, its staff integrated into the Utilities Division, and its once-contested jurisdictional issues long resolved. The successful 1990 reorganization paved the way where earlier efforts had stalled, ultimately delivering a unified governance framework that CMWD's founders had initially resisted. While certain aspects of the current arrangement might still give those founders pause, the reorganization has largely fulfilled its promise – producing a functional and efficient structure that serves the community well. Most importantly, on

the measure that would presumably matter most to those founders, CMWD delivers reliable potable water at rates well below the regional average.

5.1.2 Steady Hand

As a subsidiary district to the City of Carlsbad, CMWD is governed by the City Council with day-to-day operations skillfully managed by dedicated staff within the Public Works' Utilities Division. Like Carlsbad itself, CMWD activities tracked during the five-year reporting period ending in 2023 show financial health and operational discipline – mirroring the City's own profile as a maturing and stable municipality where the focus has shifted from expansion to refinement and strategic planning. This stability is marked by minimal volatility in CMWD's finances, customer counts, and service demands – exemplified by a period-average operating margin of 2.8% while relying on essentially the same infrastructure, staffing and their associated fixed costs even as consumption declined. CMWD's operational stability aligns with underlying demographic conditions: population growth has averaged less than 1% annually during the period with comparable growth projected into the near term.

5.1.3 Headroom Across the System

CMWD's core municipal function – potable water – carries substantial capacity across its network in supply, transmission, and storage, and comfortably exceeds demands throughout the five-year reporting period ending in 2023. This available headroom has already been proven with CMWD accommodating annual demands in the early 2000s of up to 21,200 acre-feet – long before conservation measures and recycled water conversions helped draw consumption down to a reporting period average of 13,500 acre-feet. This headroom advantageously positions CMWD to readily assist the City of Carlsbad as the land use authority in strategically accommodating future growth and development.

5.1.4 Ratepayer Value

CMWD customers enjoy significant savings on their water bills compared to those in other areas of San Diego County. A regional survey taken immediately following the five-year reporting period ending in 2023 shows the average monthly water bill across comparable agencies at $133, while CMWD's typical residential bill stands at $94 – translating to a savings of approximately $40 per month, or nearly $480 annually.[8] Additionally, specific to the reporting period, CMWD has successfully maintained this exceptional value by

[8] Source: Olivenhain MWD.

strategically managing costs, despite rising wholesale supply expenses that saw a double-digit increase. Rather than fully passing these costs on to customers, CMWD implemented a modest rate increase of only 5.1%, which is significantly lower than the regional inflation rate of 25.3% during the same time – sustaining reliable and affordable service while absorbing the difference into the operating margin.

5.1.5 Unified Service Advantage

CMWD's oversight and management of both potable water and recycled water services represents a distinctive structural advantage that is relatively rare across most urban areas in San Diego County, where these functions are typically split among separate agencies. This integrated approach allows CMWD to manage customer conversions from potable to reuse water – offering cost savings of roughly 25% – in a more coordinated and strategic manner. The unified structure also insulates CMWD from the revenue erosion that other potable providers face when customers convert to reuse, effectively leaving behind fixed costs. By keeping revenues from both services in-house, CMWD ensures financial stability and resilience – an advantage poised to grow more valuable over time as state mandates, drought conditions, and rising costs continue to drive demand for reuse.

5.1.6 Good Test Scores with Some Softening

CMWD presents a strong financial position by conventional measures through the close of the five-year reporting period in 2023, supported by high cash levels, low debt, and relatively young infrastructure with ample useful life remaining. The organization's liquidity is exceptional – CMWD maintains a remarkable 13:1 current ratio and holds roughly 34 months of operating expense coverage in liquid reserves. Debt levels are minimal, with long-term obligations constituting just 6.5% of the net position and more than 90% of assets are free of debt financing. Collectively, these indicators highlight a solid financial foundation and reflect an organization that has been well managed. While key financial metrics have narrowed during the reporting period – particularly lowering margins – the organizational strength and fiscal discipline shown over the reporting period suggest the agency is well-positioned to navigate these challenges and maintain financial stability.

5.1.7 Governance + Accountability

CMWD enjoys a strong governance and accountability framework through its fully integrated administration within the City of Carlsbad, with the City Council serving as the District's Board of Directors. This structure promotes policy alignment and operational

efficiency, ultimately benefitting ratepayers, as evidenced by relatively low potable water rates and the absence of contested decision-making. While this arrangement functions effectively and generates no apparent public confusion or underlying governance concerns, there remains valuable opportunity to enhance CMWD's visibility as a distinct governmental entity with its own service responsibilities, financial operations, and taxing authority. Improvements to public-facing materials – including the City's website, meeting agendas, and budget documents – could better highlight the District's role as the primary provider of potable and recycled water services while strengthening transparency and reinforcing community awareness of the District's distinct identity and taxing authority.

5.1.8 LAFCO Interests Going Forward

CMWD closed the five-year reporting period ending in 2023 from a position of strength — financially stable, operationally steady, and consistently delivering reliable potable water service at rates significantly below regional averages. CMWD's integrated oversight of both potable and recycled water, combined with substantial unused capacity across major facilities, positions CMWD to effectively meet existing demands while being prepared for any strategic growth into the future and evolving community needs. Within this favorable context, certain themes merit attention and should inform LAFCO's next municipal service review, tentatively planned for the early 2030s. These include assessing CMWD's ability to maintain its competitive rate advantage while keeping pace with necessary capital reinvestment as infrastructure ages; tracking operating margins that have narrowed over the reporting period and signaling the need for ongoing calibration between declining consumption and fixed system costs; and encouraging efforts to elevate public visibility around the District's separate legal identity and taxing authority.

5.1.9 Data Gap in Context

The analysis rests on a five-year data window covering fiscal years 2019 through 2023, selected as the most recent audited period available at commencement. By the time both the analysis and the policy-prescribed administrative review conclude, two additional completed fiscal years sit outside that window — a gap the Commission should weigh deliberately. Nothing observed across the reporting period suggests the intervening years would alter foundational recommendations or determinations. Across the functions evaluated, Carlsbad MWD shows stable governance, adequate service capacity, and sound financial footing. The watch-items the report does identify are slow-moving structural patterns rather than acute disruptions — trends two additional years of data would more likely confirm than overturn. On this basis, staff concludes the existing record provides a

reasonable foundation for completing the municipal service review as presented, without extending the data window – with the next periodic review serving as a Commission-safeguard should conditions shift.

5.2 Recommendations

The following recommendations identify priority actions and policy directions directed to the CMWD, LAFCO, and/or other affected agencies. Recommendations calling for LAFCO action are dependent on a subsequent directive from the Commission and through the annually adopted work plan.

5.2.1 Strengthen District Visibility

Carlsbad MWD should consider additional opportunities to enhance public-facing communications – including website content, meeting agendas, and budget documents – to more clearly distinguish the District's separate legal status, taxing authority, and its role as the primary provider of potable and recycled water serving most of Carlsbad.

5.2.2 Dive into Recycled Water

LAFCO should proceed with its tentative study schedule commitment to prepare a comprehensive countywide municipal service review on recycled water. This review should include, among other features, a detailed examination of current and future demands within CMWD's jurisdictional boundary. It would also be beneficial to assess service boundary rationalization among recycled water providers in the Carlsbad-Encinitas region, including CMWD and Leucadia, to help ensure efficient service delivery and collaboration.

5.2.3 Assess Latent Power Activation

At an appropriate future juncture, LAFCO and Carlsbad MWD should evaluate the potential benefits of utilizing the District's existing latent authority under the Municipal Water District Act to provide wastewater services. This assessment could identify opportunities for governance efficiencies and improved coordination among services that may ultimately benefit Carlsbad ratepayers.

5.2.4 Reaffirm Current Sphere with Qualifier

The analysis covered in this municipal service review supports LAFCO in proceeding with a limited update to the sphere of influence, which would reaffirm Carlsbad MWD's existing designation. However, as a telegraph to potential changes in the future, it is recommended LAFCO create one or more special study areas mirroring designations being concurrently recommended for the City of Carlsbad. This approach includes capturing boundary deviations that have developed between the District and the City of Oceanside concerning their respective potable water and recycled water functions along State Route 78.

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CHAPTER THREE
AGENCY PROFILES

A. CITY OF CARLSBAD

1.0 OVERVIEW

The City of Carlsbad is a charter municipality incorporated in July 1952.[1] Carlsbad's incorporation was the ninth in San Diego County's history with an estimated commencing population of nearly 5,200. Interest in incorporation was first publicly advanced by community leaders in the late 1940s and done so in offering an alternative to annexation overtures from City of Oceanside and its interest in expanding south. Notable benchmarks shaping Carlsbad's early post-incorporation development include construction of the Encina Power Plant in 1954, the extension of Interstate 5 through Carlsbad beginning in the mid-1950s, and the openings of Palomar Airport in 1959, and Plaza Camino Real (now the Shoppes at Carlsbad) in 1969.

City of Carlsbad
Carlsbad Boulevard and Carlsbad Village Drive (C 2023)

Photo Credit: Adobe Stock

Substantial growth beginning in the 1970s signaled Carlsbad's transition into an expansive suburban community, prompting voters in 1986 to approve a City Council–sponsored growth management program. The program reflected public interest to regulate the pace and scale of housing development through, among other components, a cap on the total number of residential units and an established buildout population of 135,000. However, the housing development cap has since been preempted by changes in state law.

Sprint to a Managed Jog…

The City of Carlsbad has expanded nearly six-fold to 39 square miles since incorporation in 1952. Most of this expansion occurred over a 30-year period between 1970 and 2000, accompanied by a corresponding population surge from 15,000 to 78,000. Growth has since stabilized, consistent with the City implementing a 1986 growth management plan.

[1] Carlsbad was originally incorporated as a general law municipality. Carlsbad transitioned to a charter municipality with more home-rule powers after voters approved Proposition D in June 2008. Additional details are provided in Appendix A.

Carlsbad's jurisdictional boundary has expanded nearly six-fold since its incorporation in 1952 and now encompasses 39 square miles, ranking it as the fifth-largest municipality in San Diego County. Most of this expansion – which also eliminated several unincorporated "islands" left at the time of incorporation to accommodate preexisting agricultural uses – occurred over 30 years between 1970 and 2000, when the City's population grew by more than five times from roughly 15,000 to 78,000 residents, or nearly six new residents per day over three decades. More recently, the jurisdictional boundary has remained largely stable as Carlsbad, consistent with the voter-approved 1986 growth management plan, shifted its emphasis to infill development. The last annexation to Carlsbad was approved by LAFCO in 2014.

The Commission's most recent sphere of influence update for Carlsbad was completed in 2016 as part of a limited review of all North County cities (Carlsbad, Oceanside, Encinitas, Solana Beach, and Del Mar). The 2016 update affirmed a coterminous sphere designation matching Carlsbad's jurisdictional boundary while also establishing a special study area encompassing an approximate 374-acre unincorporated area to the southeast that lies in Encinitas' sphere. This special study area designation was created by the Commission to encourage joint planning between the two municipalities for the area's future development.

Carlsbad operates under the council-manager form of government with policy direction provided by a five-member City Council. The mayor is elected at-large while four council members represent districts of roughly 20,000 registered voters each based on 2020 census redistricting. Mayor Keith Blackburn anchors the current Council, having served continuously since 2008 though the date of this report – a 16-year tenure that spans two housing cycles and nearly complete turnover of his colleagues. The other four – Melanie Burkholder, Kevin Shin, Priya Bhat-Patel, and Teresa Acosta – all joined between 2018 and 2024. Day-to-day administration is led by City Manager Geoff Patnoe who was appointed in December 2024, after serving five years as Assistant City Manager.

Carlsbad Leadership

MAYOR
Keith Blackburn
Elected at-large
Serving since 2008
16+ years experience

CITY COUNCIL
DISTRICT 1
Melanie Burkholder
Elected 2022
DISTRICT 2
Kevin Shin
Elected 2024
DISTRICT 3
Priya Bhat-Patel
Elected 2018
DISTRICT 4
Teresa Acosta
Elected 2020

CITY MANAGER
Geoff Patnoe
Appointed Dec. 2024
Day-to-day operations

CITY ATTORNEY
Cindie McMahon
Appointed July 2022
Legal counsel

Carlsbad's budgeted workforce totals 807 full-time equivalent positions at the end of the five-year report period in 2023, reflecting a 16% increase over the preceding 60 months. Public safety accounts for the largest share of Carlsbad's budgeted staffing with 310 total positions divided between police (187 positions) and fire (123 positions), collectively representing

nearly 40% of the total workforce. There are 81,134 registered voters within the jurisdictional boundary.

Carlsbad operates as a comprehensive full-service municipality that directly delivers most public services within its jurisdcitonal boundary. Core service functions examined in this profile are wastewater, fire protection and emergency medical, parks and recreation, and community development functions. Additionally, Carlsbad provides water services through a subsidiary special district – Carlsbad Municipal Water District (CMWD) – which is covered separately in a stand-alone profile within this report.[2] A limited number of independent special districts also serve areas within Carlsbad and deliver targeted municipal services. Local providers include Olivenhain Municipal Water District, Vallecitos Water District, and Leucadia Wastewater District, each of which receive dedicated coverage in this report. Regional providers with jurisdiction over Carlsbad include the San Diego County Water Authority, North County Transit District, and Tri-City Healthcare District.

Direct Full Service: Everything But the Water...

Carlsbad directly provides the following services detailed in this profile: wastewater; integrated fire protection; parks + recreation; and community development. (Water is provided indirectly through Carlsbad Municipal Water District to approximately 82% of the City jurisdiction with the remainder covered by Olivenhain Municipal Water District and Vallecitos Water District.)

Carlsbad's General Fund finances most day-to-day municipal activities that are not otherwise funded through user charges. During the report period, average annual actual revenues totaled $192.457 million, reaching $225.860 million in 2023 – representing an overall period increase of 26%.[3] Property taxes constitute the single largest revenue source and account for two-fifths of all General Fund revenues during the period, while sales and hotel (transient occupancy) taxes jointly contribute another two-fifths.[4] General Fund expenditures have averaged $188.453 million with an ending amount of $205.160 million. This latter amount represents an overall period increase of 34% and translates to an average daily General Fund expense of $0.516 million. The largest single expenditure involves police services and has consumed one-fourth of all General Fund expenses during the report

Carlsbad General Fund
FIVE-YEAR SNAPSHOT · FY19 TO FY23

$192.5M
Avg Annual Revenue
+26% period growth

$188.5M
Avg Annual Expenses
+34% period growth

$138.1M
Spendable Balance at End of FY23
+40% period growth

8 Months
Equivalent of General Fund Reserves Coverage

[2] CMWD was established in 1990 as a subsidiary district of Carlsbad and provides services to 82% of the City's jurisdiction.
[3] The referenced General Fund actual revenues and expenditures draw from a review of Carlsbad's annual budget documents.
[4] The total assessed value within Carlsbad has increased over the five-year report period by 22.3% from $31.8 to $38.9 billion.

period. The overall period net margin averaged (0.1%) due to a shortfall in 2021 attributed to a one-time transfer out of the General Fund to the City's golf course ($47 million) to pay off outstanding debt for construction; all other years finished with positive margins. The total spendable balance at the end of the report period totals $138.1 million – representing an overall increase of 40% – and equivalent to covering eight months of recent actual expenses.[5]

The Commission independently estimates Carlsbad's full-time residents at 116,428 at the close of the report period, making it the fifth-largest municipality in San Diego County by population. This figure represents an overall increase of 11,568 residents since the 2010 census — an average annual gain of 890, or slightly less than 1%. The estimated population is supported by 48,434 housing units within the jurisdictional boundary. Since the 2010 census, Carlsbad has added 3,943 housing units, or the annual average of 303 annually. When compared to population growth, this translates into one new housing unit for every 2.9 new residents. This extended measurement is less favorable than Carlsbad's longer-term historical ratio of one new unit for every 2.4 residents and helps in underscoring a tightening housing supply.

Tightening Housing Supply…

The City of Carlsbad's overall population-to-housing ratio stands at 2.4 residents per unit based on LAFCO estimating 116,428 residents and 48,434 housing units at the end of the five-year report period in 2023. However, narrowing to just changes since the 2010 census, the ratio climbs to 2.9 - with 11,568 new residents competing for 3,943 new units – signaling a tightening housing market with population outpacing new supply.

Other notable housing dynamics follow.

- Carlsbad's median household income is $129,269 based on the current five-year period average, substantially exceeding the countywide average of $88,240 by nearly 50%.

- Carlsbad residents currently spend an average of 24% of their household income on rent or mortgage payments. The Commission estimates that when utilities are included, the adjusted average housing cost burden increases to 32%.[6]

- Average home values within Carlsbad increased 62% during the report period, rising from $832,749 in June 2019 to $1.45 million in June 2023.[7] This separately generates a home price-to-income ratio of 10-to-1, and above the statewide ratio of 8-to-1.

[5] The referenced spendable General Fund balance draws from the City of Carlsbad's Adopted Budget, FY26.
[6] Utility costs are calculated by LAFCO based on multiplying the median monthly household income by 7.5%.
[7] Average home values in Carlsbad during the five-year report period are based on Zillow analytics & City of Carlsbad (City of Carlsbad - Economic Scan FY23-24.

2.0 BOUNDARIES + RELATED CONSIDERATIONS

2.1 Jurisdictional Boundary

The City of Carlsbad's existing boundary totals 39.1 square miles spanning 25,028 acres. This equals slightly less than 1% of all of San Diego County. Approximately nine-tenths of Carlsbad's perimeter is considered fixed given it is either adjacent to the Pacific Ocean (west) or other cities: Oceanside to the north, Vista to the northeast, San Marcos to the east, and Encinitas to the south. The remaining 10% of Carlsbad's perimeter is dedicated open space primarily near the San Dieguito community. Carlsbad's topography varies considerably with elevations ranging from 10 feet above sea level near the coast to 700 feet at its highest point along Sitio Oceano in the La Costa Meadows neighborhood.

5th Largest Incorporated Community…

The City of Carlsbad's jurisdictional boundary now totals 39 square miles and makes it the fifth largest-sized municipality in San Diego County. The jurisdictional boundary is completely whole and does not include any unincorporated "islands."

Carlsbad has experienced significant territorial growth since its incorporation in 1952 with its jurisdictional boundary expanding nearly six-fold from its original footprint. Since its own establishment by Legislature in 1963, the Commission has approved approximately 100 annexations to Carlsbad. Most of these boundary expansions occurred between 1965 and 1985 as Carlsbad proceeded to absorb several unincorporated "islands" while expanding eastward and southward into adjacent areas. Annexation activity has slowed dramatically since 2000, reflecting the maturation of Carlsbad's boundary based on local conditions. The most recent annexation occurred in 2014 involving 0.8 acres as part of the "Carlsbad-San Marcos Reorganization" – a boundary adjustment involving a land swap between the two cities and concurrent sphere of influence amendments.

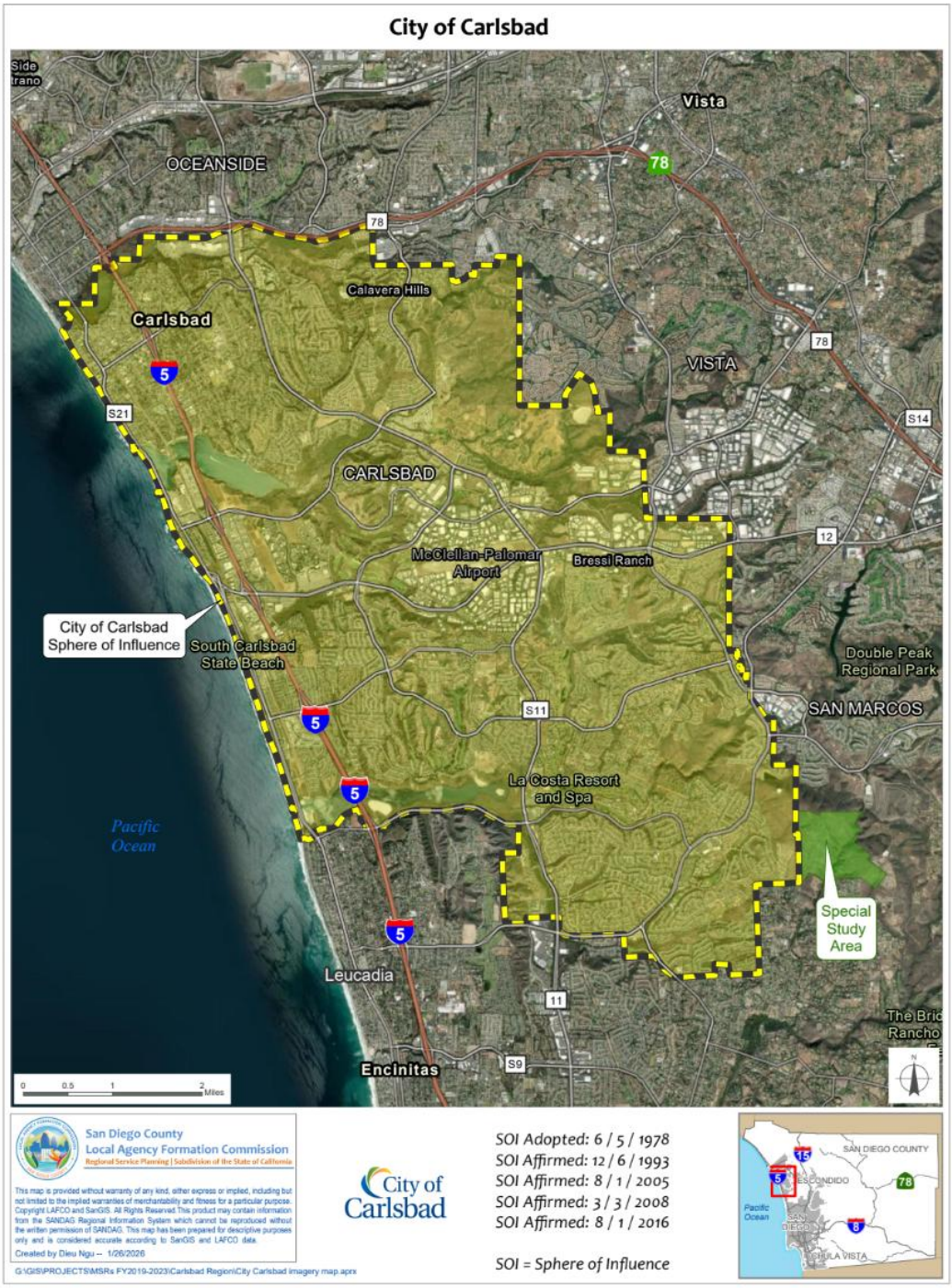
The total assessed value (land and structure) within Carlsbad has increased during the five-year report period by 23% from $32.2 billion in 2019 to $39.6 billion in 2023. The period-ending amount translates to a per-acre value ratio of $1.6 million as well as a per capita value of $0.340 million based on an estimated full-time population of 116,428. Carlsbad's overall share of the 1% property tax is

Assessed Values Rising…

Assessed property values (land and structure) in the City of Carlsbad have increased by 23% during the five-year report period ending in 2023. Carlsbad's share of the 1% property tax (AB8) is 16% and generated $64 million at the end of the period.

approximately 16% – or 0.16 cents for every $1.00 – and generated $63.9 million in the final year of the report period.[8]

Map No. A - 2.1



[8] Property tax data sourced from the County of San Diego Auditor Controller's annual report on allocations and covers secured property taxes on real estate and state-assessed utilities. Additional revenue streams to Carlsbad include unsecured property taxes on personal assets and state in-lieu payments, but these are not reflected in the reported figures.

With respect to additional characteristics, Carlsbad's jurisdictional boundary is currently divided into 90,980 assessor parcels for tax purposes spanning 21,663 acres.[9] Nearly 80% of the parcel acreage is under private ownership with two-thirds of this portion already developed or improved, albeit not necessarily at the highest density allowed under zoning. The remaining private acreage in Carlsbad is undeveloped and substantively unimproved and divided into 34,616 parcels that collectively total 6,136 acres.

Built But Not Finished…

Nearly two-thirds – 64% – of all privately owned acreage in the City of Carlsbad has been developed to date, though not necessarily at the highest density. The remaining 36% of the private acreage in Carlsbad remains undeveloped and totals 6,136 acres.

Carlsbad's jurisdictional boundary is shown on the preceding page. A summary of key boundary characteristics underlying the jurisdictional boundary also follows.

City of Carlsbad:
Jurisdictional Boundary Characteristics
Table A – 2.1a | Source: San Diego LAFCO

Total Jurisdictional Size	25,028 acres
Total Jurisdictional Parcels and Acreage	90,980 parcels totaling 21,663 acres
… Publicly Owned Parcels and Acreage	709 parcels totaling 7,832 acres
… Privately Owned Parcels and Acreage	90,271 parcels totaling 17,197 acres
… Undeveloped Privately-Owned Parcels and Acreage	34,616 parcels totaling 6,136 acres
Total Number of Registered Voters	81,134
Total Assessed Value (Land and Structures)	$39.594 billion

2.2 Sphere of Influence

The Commission established the City of Carlsbad's sphere of influence in June 1978 with a larger-than-agency designation encompassing approximately 26,800 acres. This initial planning maker included all of the existing incorporated land plus an additional 8,300 unincorproated acres. This latter category largely consisted of two unincorporated areas: one located north of Palomar Airport Road adjacent to the City of Vista and the other west of Rancho Santa Fe Road adjacent to the City of San Marcos.

June 1978 Expectations…

LAFCO established the City of Carlsbad's sphere of influence in June 1978 at the same time as establishing designations for Oceanside and Vista. The initial sphere was set to explicitly facilitate future expansion with a larger-than-agency designation equal to 145% of the then City limits.

[9] The remaining 3,365 jurisdictional acres within Carlsbad consists of public rights-of-way and waterways.

The Commission subsequently reviewed and updated Carlsbad's sphere of influence as part of scheduled studies in 1993, 2005, 2008, and 2016 without any changes. Additionally, by the time of the 2008 review and update, all the original unincorporated territory placed in Carlsbad's initial sphere had been annexed or rerouted to the City of Encinitas as part of its incorporation in 1986. One special study area spanning 374 acres in the Rancho Santa Fe area was added to the sphere in 2016 with additional details footnoted.[10] The substantive result of the preceding actions is the sphere being 100% coterminous with Carlsbad's limits except for the Rancho Santa Fe special study area.

August 2016 Expectations…

By the early 2000s, all excess lands included in the initial sphere designation had been incorporated – including approximately 1,000 acres rerouted to the City of Encinitas as part of its incorporation in 1986. The current sphere, last updated in August 2016, is entirely coterminous with Carlsbad's incorporated limits with the qualifier of an approximate 374-acre special study area in Rancho Santa Fe.

2.3 Relationship to General Plan

The City of Carlsbad's General Plan was last comprehensively updated in 2015 and statutorily serves as the City's core policy document in guiding land use planning and related municipal implementation. The General Plan Update spanned an approximate five-year process with a self-designated planning horizon to 2035. Nine elements – some individually having been amended by the City Council in more recent years – make up the General Plan Update and purposefully anchor to nine core community value statements marked by "small town feel, beach community character, and connectedness."

2015 Gameplan: The Carlsbad Code…

Carlsbad's General Plan was comprehensively updated in 2015 and anchors to nine core community values as abbreviated by LAFCO:

1. Small town feel + beach community
2. Recreation + active lifestyles
3. Public transportation + connectivity
4. Cultural resources
5. Neighborhood revitalization
6. Natural environment
7. Local economy + tourism
8. Sustainability
9. High quality education + services

Of particular interest to the Commission, the Land Use and Community Design Element was last amended in January 2024 and serves to direct the location, form, and character of growth and development within Carlsbad as set by the City Council. It is also paired with

[10] The municipal service review and associated sphere of influence update adopted by LAFCO in 2016 established a 374-acre special study area. The special study area currently lies adjacent to the City of Carlsbad's sphere of influence and within the sphere of influence for City of Encinitas and done so to facilitate joint planning between the two municipalities. The area appears to be in permanent open space.

implementing strategies – including cross-coordination with the Housing Element and its eight-year reset process under State law. Key policy components of the two Elements follow.

No Outward Expansion | No lands outside Carlsbad are contemplated for annexations.

Actual Densities Largely Cap at 23 Units/Acre; High of 40 Units/Acre | The density range is 1.0 to 40.0 units per acre. The predominate high density caps at 23 units per acre. The highest density range applied is R-40 and involves properties along Palomar Airport Road and in the vicinity of the Shoppes mall along State Highway 78. The Village and Barrio Master Plan allows densities up to 30 units per acre in some areas.

1.5% Annual Growth Rate Assumed | Assumes a historical annual population growth rate of 1.5% will continue, resulting in Carlsbad's resident total reaching 141,219 by 2035.

Housing Strategy | The Housing Element was updated by the City Council in April 2021 and subsequently certified by the State's Housing and Community Department in July 2021.[11] It serves as Carlsbad's official housing strategy through 2029 and premised on accommodating approximately 3,900 new housing units over the eight-year period. Slightly more than half of these units are intended via the assignment of higher densities to meet lower household income categories.[12]

2.4 Relationship to College + School Districts

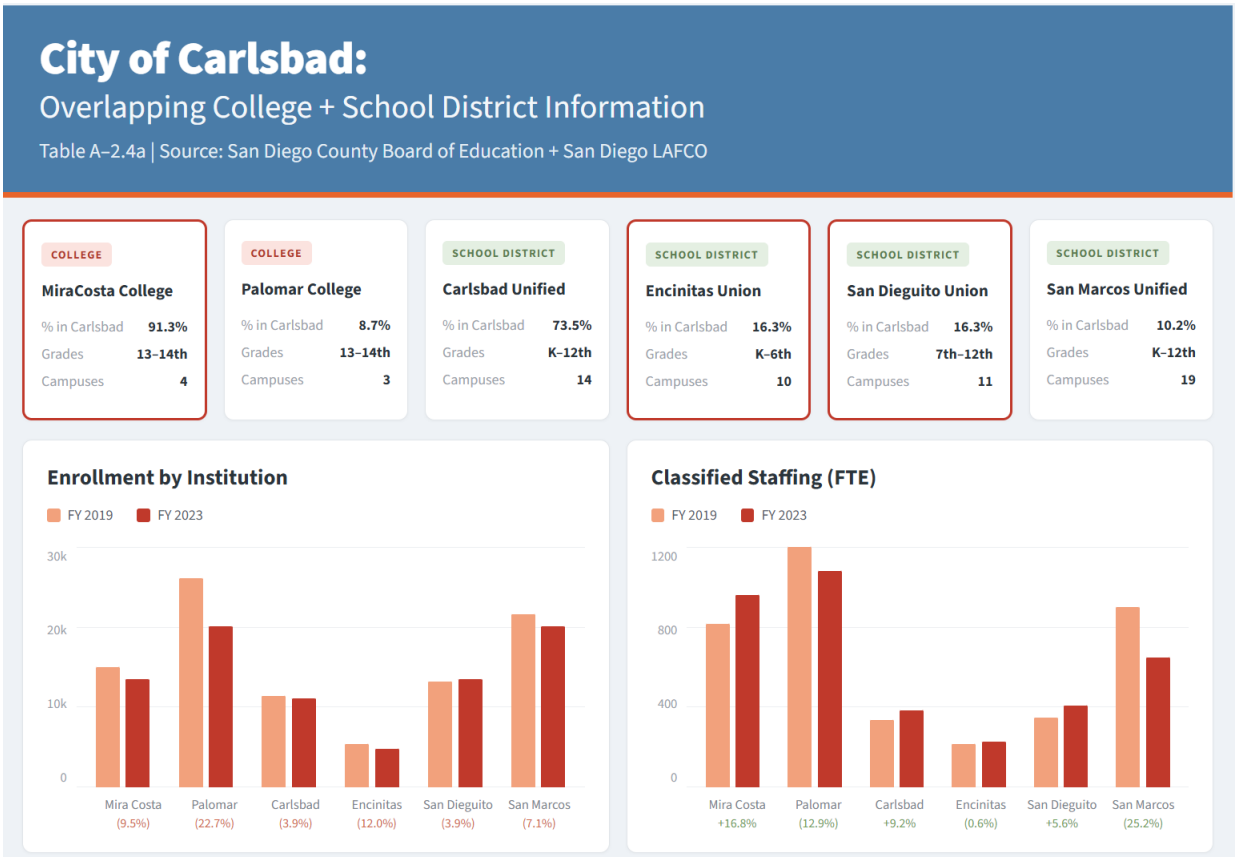
The City of Carlsbad's jurisdictional boundary and sphere of influence overlaps within six college and school districts: MiraCosta College; Palomar College; Carlsbad Unified; Encinitas Union; San Dieguito Union High; and San Marcos Unified. A listing summary of growth-related characteristics for each follows and – among other features – shows all six districts experiencing declines in student enrollment over the report period.

Six Districts + One Clear Trend…

All six education agencies overlapping the City of Carlsbad experienced student enrollment declines during the five-year report period ending in 2023 with no less than a (3.9%) drop.

[11] The California Department of Housing and Community Development (HCD) is the State agency responsible for overseeing housing policy, administering housing programs, and ensuring local governments comply with State housing laws. Key duties include setting regional housing production goals, reviewing and certifying local housing elements, and providing funding and technical assistance to support affordable housing development. HCD must approve local housing elements to ensure they meet prescribed requirements set by the Legislature; if a housing element is not approved, the local jurisdiction loses access to certain State funding and may face increased oversight and intervention in local housing decisions.

[12] Additional details are provided in Section 5.5 (Community Development).



DEMOGRAPHICS

3.1 Population and Housing

The City of Carlsbad's total full-time resident population within its jurisdictional boundary is independently estimated by the Commission at 116,428 at the end of the five-year report period in 2023. This amount represents 3.5% of the countywide population total, separately estimated at 3,325,714. The full-time population in Carlsbad has risen overall by approximately 11.0% from 104,860 in 2010 and the prior census reset – a net increase of 11,568. This extended measurement translates to an annual average increase of 0.9% or 890 persons – the equivalent of adding an average of 17 new residents weekly. Notably, this extended measurement absorbs a sizable deceleration during the report period (2019-2023), with the average annual growth rate falling to 0.5% - the equivalent of adding 582 persons yearly, or 11 weekly.

Still Adding:
Population in Lower Gear...

LAFCO estimates the City of Carlsbad's population at 116,428 residents at the end of the report period in 2023. Since the 2010 census, the City has added 11,568 residents – an average of 890 annually, or just under 1% per year. Growth has slowed more recently with the average annual rate falling to 0.5% over the five-year report period.

- The population estimate for Carlsbad at the end of the report period produces a density ratio of 4.7 residents for every jurisdictional acre, well below the ratios in neighboring municipalities with Vista, Oceanside, and Encinitas at 7.7, 6.1, and 4.9, respectively.

- The Commission projects the growth rate will revert to be consistent with the extended trend with the population expected to reach 121,453 by 2028 and 123,523 by 2030.

City of Carlsbad:
Resident Population Estimates
Table A-3.1a | Source: Esri, American Community Survey, and San Diego LAFCO

	Calendar Year	City of Carlsbad	San Diego County
	2010	104,860	3,095,305
Report Period	2019	114,100	3,258,522
	2020	114,746	3,298,625
	2021	115,307	3,307,655
	2022	115,870	3,316,709
	2023	116,428	3,325,714
	2028	121,453	3,421,087
	2030	123,523	3,460,701

	City of Carlsbad	San Diego County
Population Change, 2010-2023		
… net change	11,568 or 11.0%	230,490 or 7.4%
… annual average change	890 or 0.9%	17,724 or 0.6%
Population Change, 2019-2023 (period)		
… net change	2,328 or 2.0%	67,192 or 0.5%
… annual average change	582 or 0.5%	16,192 or 0.1%

The Commission estimates 48,434 residential housing units within Carlsbad at the end of the five-year report period in 2023 – representing an overall net increase of 3,943 units since the 2010 census, or an average annual net addition of 303 units. Relative to population growth, the additional housing during the extended measurement period translates to a ratio of adding one new unit for every 2.9 new residents – unfavorably compared to the historical ratio within Carlsbad of adding one new unit for every 2.4 new residents. The ratio improves to one new unit for every 2.1 new residents during the five-year report period (2019-2023), notable as a consequence of decelerating population growth rather than accelerating housing production. This data

When Less Means More: Recent Improvement in Housing Ratios Comes with Qualifier…

LAFCO estimates City of Carlsbad's jurisdictional boundary has added 3,943 new housing units since the 2010 census, producing a ratio of one new unit for every 2.9 residents. Narrowing to just the five-year report period ending in 2023, the ratio improves to one new unit for every 2.1 new residents. This recent improvement, however, is largely a symptom of decelerating population growth rather than accelerating housing production.

collectively signals the relative housing supply within Carlsbad continues to tighten as evident over the extended measurement dating back to 2010, but with relative improvements over the report period.

Other material housing characteristics follow.

Types | Nearly two-thirds – or 62.2% – of housing units in Carlsbad are owner-occupied near the end of the report period. The remainder of the housing units in Carlsbad are divided between renter-occupied and vacant at 31.3% and 6.5%, respectively.

Costs | The five-year average monthly median housing cost (mortgage or rent) in Carlsbad is $2,624. This monthly amount has increased by $376 – or 16.7% – compared to the prior five-year average sum of $2,248. [13]

Costs to Income | The five-year average monthly median housing cost (mortgage or rent) in Carlsbad equals 24.4% of median household incomes.[14] Adjusting for baseline ancillary expenses – e.g., utilities and insurance – it is projected households' real housing costs equal 29.4% of their monthly income.

Housing Value to Salary | The average home value in Carlsbad has increased by 61.9% over the report period from $832,749 in 2019 to $1,348,491 in 2023.[15] This latter amount paired with median housing incomes generates a home price-to-income ratio of 10.4. This pattern suggests that many transactions may rely on higher-income buyers, outside arrivals, or significant cash contributions.

* Carlsbad notes the U.S. Department of Housing and Urban Development (HUD) separately shows over 6,000 low-income renters pay more than 30% of their income for rent and almost 4,000 of this grouping pay more than 50%.

[13] Five-year averages are specific to American Community Survey data collected for (a) 2012 to 2016 and (b) 2017 and 2021.
[14] See the preceding footnote for citation. Median household incomes have averaged $129,269 during the five-year period.
[15] The average home values in Carlsbad during the five-year report period is based on Zillow analytics (www.zillow.com).

3.2 Age Distribution

The median age of residents in the City of Carlsbad is 42.9 based on a recent five-year average. This figure reflects a modest increase of 3.1% from 41.6 over the preceding five-year period. The current median age also remains substantively higher than the countywide average of 36.3 – a difference of nearly one-fifth or 18%. Residents in the prime working age group, defined as ages 25 to 64 and the prime tax-generating income group, make up one-half of the total Carlsbad population at 52.8%.

Carlsbad's Seven Year Gap…

Residents in the City of Carlsbad tend to be nearly one-fourth older with a median age of 43 (Generation X) compared to the countywide median at 36 (Millennials).

City of Carlsbad:
Age Distribution
Table A-3.2a | Source: Esri, American Community Survey, and San Diego LAFCO

Factor	City of Carlsbad	San Diego County
Median Age (5-year average 2012-2016)	41.6	35.3
Median Age (5-year average 2017-2021)	42.9	36.3
… % Change	3.1%	2.8%
Prime Working Age, 25-64 (5-year average 2012-2016)	54.4%	53.7%
Prime Working Age, 25-64 (5-year average 2017-2021)	52.8%	54.1%
… % Change	(2.9%)	0.7%

3.3 Income Characteristics

The median household income in Carlsbad is $129,269 based on a recent five-year average. This figure shows Carlsbad households are earning significantly more with the median income experiencing an overall increase of approximately 31.5% from the preceding period average of $98,315 – a growth rate that is one-third above the corresponding change in inflation measured for the San Diego-Carlsbad region over the same period.[16]

One-Third + One-Half: Incomes Continue to Separate…

City of Carlsbad residents' average median household income increased by almost one-third based on recent five-year averages, finishing at $129,269. This latter amount separately is nearly one-half higher than the countywide average.

Drawing from the same five-year averages, Carlsbad's median household income remained nearly one-half higher than the countywide median of $88,240, despite increasing at a slower

[16] The inflation rate for the San Diego-Carlsbad region via the consumer price index is 21.1% between July 2019 and June 2023.

pace than the county overall. Other material measurements show the average poverty rate – which for a household of four means an income below $30,000 – fell 2.2% points to 8.3%.

City of Carlsbad:
Income Characteristics
Table A-3.3a | Source: Esri, American Community Survey, and San Diego LAFCO

Factor	City of Carlsbad	San Diego County
Median Household Income (5-year average 2012-2016)	$98,315	$66,529
Median Household Income (5-year average 2017-2021)	$129,269	$88,240
… % Change	31.5%	32.6%
Poverty Rate (5-year average 2012-2016)	8.5%	14.0%
Poverty Rate (5-year average 2017-2021)	8.3%	10.7%
… % Change	(2.2%)	(23.6%)

3.4 Others: Unemployment and More

The unemployment rate – the percentage of the workforce (excluding students) jobless – within the City of Carlsbad remains comparatively low at 5.8% based on a recent five-year period average. Although the rate jumped by nearly two-thirds over the prior five-year period, it continues to fall below both the countywide rate of 6.6% and the statewide rate of 6.2%. This suggests a relatively strong local labor market, which concurrently provides the municipal benefit of presumably reduced demand for safety net services such as housing assistance and healthcare programs. Additional socioeconomic indicators follow.

Low Unemployment…

Recent five-year averages show the unemployment rate in the City of Carlsbad has remained comparatively low at 5.8% *despite* a two-thirds increase over the prior period (emphasis).

- Teleworking has Doubled:
  The recent five-year average rate of the labor force residing in Carlsbad that work from home is nearly one-fourth at 23.6%. This amount has doubled over the prior five-year period and is double the current overall rate of 12.5% in San Diego County.[17]

- College-Educated Majority:
  The recent five-year average rate of adults in Carlsbad with bachelor's degrees is 59.3%. This figure has remained relatively stable over the prior five-year period and is nearly 20 percentage points above the overall countywide attainment level of 40.3%.

[17] The observed spike in the share of the labor force working from home is likely attributable to the COVID-19 pandemic, which prompted widespread public health restrictions, workplace closures, and a rapid shift to remote work arrangements.

- English-Speaking Majority:
  The recent five-year average rate of households in Carlsbad self-identifying as English speaking is 94.7%, a rate that has remained relatively stable and is well above the countywide average. The corresponding non-English speaking rate of 5.3% is less than half the overall rate in San Diego County at 13.1%.

- Some Retirees:
  The recent five-year average rate of adults in Carlsbad collecting retirement income – whether through an employer pension program or Social Security – is 21.4%. This figure has also increased by nearly one-fourth over the prior five-year period and now closely matches the overall rate in San Diego County, which is 21.2% - suggesting homeowners are retiring but staying put given housing market dynamics.

City of Carlsbad:
Other Socioeconomic Indicators
Table A-3.4a | Source: Esri, American Community Survey, and San Diego LAFCO

Factor	City of Carlsbad	San Diego County
Unemployment Rate (5-year average 2012-2016)	3.6%	7.8%
Unemployment Rate (5-year average 2017-2021)	5.8%	6.6%
… % Change	62.0%	(15.4%)
Labor Force Working From Home (5-year average 2012-2016)	11.7%	7.0%
Labor Force Working From Home (5-year average 2017-2021)	23.6%	12.5%
… % Change	100.9%	78.9%
Non-English First Language (5-year average 2012-2016)	5.6%	15.0%
Non-English First Language (5-year average 2017-2021)	5.3%	13.1%
… % Change	(5.9%)	(12.6%)
Adults with Four-Year Degrees (5-year average 2012-2016)	56.2%	36.5%
Adults with Four-Year Degrees (5-year average 2017-2021)	59.3%	40.3%
… % Change	5.6%	10.4%
Collecting Retirement (5-year average 2012-2016)	18.4%	17.7%
Collecting Retirement (5-year average 2017-2021)	21.4%	21.2%
… % Change	16.3%	19.8%

3.5 Unhoused Needs and Capacities

The City of Carlsbad participates in annual point-in-time counts for the unhoused population administered by the region's Continuum of Care (CoC) provider – the San Diego Regional Task Force on Homelessness.[18] The count is conducted largely by volunteers and typically during the last week of January concurrently across all 18 cities as well as several unincorporated communities in San Diego County. The point-in-time count complies with

[18] The CoC (San Diego Regional Task Force on Homelessness) is the coordinating body that oversees homelessness services and funding throughout San Diego County. All cities in San Diego County work with CoC to access federal funding, coordinate services, and ensure their local homeless programs align with regional efforts.

federal regulations and provides data on the scope and scale of homelessness on a given day. It also categorizes the unhoused population as unsheltered (vehicles, parks, streets, etc.) or sheltered (safe havens, emergency shelters – including hotel and motel vouchers).

Counts performed during the five-year review period with adjustments to exclude 2021 given the pandemic shows the average number of homeless in Carlsbad on any given day is 133. The total number of homeless at the end of the report period in 2023 tallies 103 and concurrently represents the lowest amount tracked over each of the five years. The most recent count shows 58.3% – or 60 – of the total as unsheltered and residing in cars, public places, or the street. The remaining 43 counted homeless are sourced to an emergency shelter.

When 1,130 Beats 709: Lowering Homeless Intensity…

At the end of the report period in 2023, there was once counted homeless person in the City of Carlsbad for every 1,130 housed residents – a nearly two-thirds improvement from one per every 709 at the start of the period.

City of Carlsbad:
Point in Time Homeless Counts

Table A – 3.5a | Source: Regional Taskforce on Homeless in San Diego County + SD LAFCO

Sheltered Population		
January 2019		59
January 2020	-8.5%	54
January 2021	n/a	*No Data*
January 2022	-20.4%	43
January 2023	0.0%	43
Average	-27.1%	49.8

Unsheltered Population		
January 2019		102
January 2020	-7.8%	94
January 2021	n/a	*No Data*
January 2022	-20.2%	75
January 2023	-20.0%	60
Average	-41.2%	82.8

Total Homeless Count		
January 2019		161
January 2020	-8.1%	148
January 2021	n/a	*No Data*
January 2022	-20.3%	118
January 2023	-12.7%	103
Average	-36.0%	132.5

Homeless-to-Housed Population Ratios

2019	2020	2021	2022	2023
1:709	1:775	*No Data*	1:982	1:1,130

Period Summary

AVG SHELTERED	AVG UNSHELTERED	AVG TOTAL
49.8	82.8	132.5
↓ 27.1%	↓ 41.2%	↓ 36.0%

Illustration Created with Anthropic

3.6 Environmental Justice

State law directs the Commission to address environmental justice whenever it considers jurisdictional changes – a factor added to statute in 2008 and defined as "the fair treatment of people of all races, cultures, and incomes with respect to the location of public facilities and the provision of public services." The Commission adopted a local policy in 2022 to formally guide its consideration of environmental justice, including proactively incorporating pollution burdens and their economic impacts into the municipal service review program.

Measuring EJ:
State's Two-Factor Test…

LAFCO's consideration of environmental justice draws on the California EPA and includes statewide percentile rankings for the City of Carlsbad across two core dimensions: (a) pollution burdens and (b) at-risk population characteristics.

Drawing on this framework, the Commission's consideration of environmental justice within the City of Carlsbad uses data from the California Environmental Protection Agency through its online assessment tool (CalEnviroScreen 4.0). Two percentile rankings are generated based on a weighted calculation involving multiple census tracts covering Carlsbad as well as overlapping adjacent areas — including inhabited portions within the Oceanside and Vista municipalities. These rankings focus on two core dimensions: pollution burdens – including exposures and environmental effects – and at-risk population characteristics, which account for sensitive groups and socioeconomic factors.

The resulting scores are summarized below to provide a broader understanding of environmental conditions and equity considerations in Carlsbad.

- Carlsbad's composite pollution burden ranks in the 30th percentile relative to the state and is considered comparatively good. It also falls below the 38th percentile for San Diego County. Composite ranking aside, three individual pollution indicators exceed the 50th percentile and reflect relatively higher environmental concerns: exposure to traffic impacts, effects from hazardous waste, and effects from impaired water bodies. None, however, exceed the 66th percentile, which represents a benchmark for significance. Additional comparative distinctions follow.

    - Carlsbad enjoys relatively superior air quality as measured by ozone (smog) with its statewide percentile ranking being more than one-fifth lower (better) than all of San Diego County. The main sources of ozone are trucks, cars, planes, factories, and

construction activities. Ozone exposure is known to irritate the lungs, cause inflammation, and worsen chronic illnesses.

- Traffic impacts and their exposures in Carlsbad are relatively high with its statewide percentile ranking being almost one-fourth higher than all of San Diego County. Traffic impacts are directly tied to the number of vehicles on the roads and are a main source of air pollution via particulate matter as well as noise. It is reasonable to assume the higher ranking in Carlsbad ties directly to I-5 corridor.

- Pesticide uses and their exposures in Carlsbad are significantly higher with its percentile ranking nearly four times greater than all of San Diego County. It is reasonable to assume the higher ranking in Carlsbad ties to its agricultural legacy.

- Carlsbad's composite **at-risk population** ranking falls in the 9th percentile relative to the rest of California and is considered comparatively excellent. It also falls well below the 37th percentile ranking for all of San Diego County. None of the at-risk measurements exceed the 50th percentile, which is a benchmark for relatively higher environmental concerns. Additional comparative distinctions follow.

  - Carlsbad residents have significantly lower levels of asthma, low birth weights, and cardiovascular disease and marked by the asthma rate percentile ranking being six-fold lower than all of San Diego County.

  - Carlsbad households are measurably more connected through a common language as evidenced by a linguistic isolation percentile ranking that is nearly three-fold lower than all of San Diego County.

A complete detailing of all population burdens and at-risk population rankings follows.

City of Carlsbad:
Environmental Justice Criteria
Table A – 3.6a | Source: California EPA + SD LAFCO

30.1	8.6	17
Pollution Burden Percentile	Sensitive Population Percentile	Census Tracts

Pollution Burdens

FACTOR	CARLSBAD	SD COUNTY	DIFFERENCE	FACTOR	CARLSBAD	SD COUNTY	DIFFERENCE
Air Quality – Ozone	32.7	42.2	9.5% Better	Cleanup Sites	14.3	24.2	9.9% Better
Air Quality – Fine Particulate	36.3	43.1	6.8% Better	Groundwater Threats	35.2	36.8	1.6% Better
Air Quality – Diesel Particulate	48.4	49.5	1.1% Better	Hazardous Waste	55.0	44.9	10.1% Worse
Pesticide Uses	46.5	11.8	34.7% Worse	Impaired Water Bodies	52.6	55.5	2.9% Better
Toxic Releases	18.9	32.1	13.2% Better	Solid Waste Sites and Facilities	19.5	27.4	7.9% Better
Traffic Impacts	58.7	48.4	10.3% Worse				
Drinking Water Contaminants	20.4	33.2	12.8% Better				
Lead Risk in Housing	10.9	38.7	27.8% Better				

Sensitive Population

FACTOR	CARLSBAD	SD COUNTY	DIFFERENCE	FACTOR	CARLSBAD	SD COUNTY	DIFFERENCE
Asthma	5.7	34.6	28.9% Better	Education	18.6	41.3	22.7% Better
Low Birth Weight	20.1	44.5	24.4% Better	Linguistic Isolation	13.4	37.8	24.4% Better
Cardiovascular Disease	19.9	28.8	8.9% Better	Poverty	20.7	45.5	24.8% Better
				Unemployment	38.8	50.0	11.2% Better
				Housing Burden	30.1	49.0	18.9% Better

Illustration Created with Anthropic

Additional considerations of environmental justice factors can be found by analyzing elements from the Carlsbad's Climate Action Plan (CAP). First adopted in September 2015, this document serves as Carlsbad's roadmap for reducing greenhouse gas (GHG) emissions as required under the California Environmental Quality Act (CEQA). The plan is premised on State statute recognizing climate change impacts have historically and disproportionately harmed socially and economically disadvantaged communities. The CAP was updated in November 2024 and now includes more than 20 emission reduction strategies designed to streamline environmental reviews for growth and development projects. These strategies specifically focus on reducing GHG emissions through 2045 – as mandated by the State – with

When Optional Becomes Essential…

The City of Carlsbad's Climate Action Plan (CAP) serves as the City's roadmap for reducing greenhouse gas emissions. While CAPs are voluntary planning documents, they are increasingly essential given separate State requirements for counties and cities to systematically address greenhouse gas emissions when evaluating development projects under CEQA.

emphasis on limiting carbon dioxide (CO2) output.[19] [20] These reduction strategies are grouped into six focus categories: energy, water, waste diversion, transportation, off-road equipment, and carbon sequestration

Carlsbad's CAP uses 2016 as its baseline inventory year with a communitywide source contribution estimate of 981,000 metric tons of carbon dioxide equivalent (MT CO2e, or "metric tons"). This amount is equivalent to the electricity use of 204,436 households for one year.[21] It similarly translates to an annual generation of 8.4 metric tons per person based on an estimated population in Carlsbad of 110,933 in 2016.[22] Carlsbad's estimated per person carbon footprint – notably and with material qualifications given use of different baseline years – is the highest among the five "North County" cities in San Diego as detailed in the accompanying footnote.[23] Carlsbad's CAP separately estimates the baseline amount would increase on its own to 1,024,000 metric tons by 2045 absent any changes. Carlsbad's strategy to meet its target to reduce its baseline carbon emissions by 85% to 147,000 metric tons by 2045 largely ties to anticipated reductions from federal and state actions with the balance – 135,000 metric tons – dependent on CAP actions; an amount equivalent to avoiding 343.8 million miles driven by typical gas-powered passenger vehicles.[24]

High Footprint + High Ambitions…

Carlsbad's per capita carbon footprint of 8.4 metric tons is the highest among North County cities – a figure that reflects the City's comparatively large commercial and industrial base, including McClellan-Palomar Airport, an extensive business park presence, and energy-intensive infrastructure, such as the Carlsbad Desalination Plant. Carlsbad's plan to cut community wide emissions by 85% by 2045 is also the most ambitious of the North County cities.

Future reports could revisit and expand on Carlsbad's efforts to reduce GHG emissions and related efforts to address and promote environmental justice.

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[19] State sets the following GHG emission reduction standards for California: a) reduce to 40 percent below 1990 levels by 2030 and b) reduce to 80 percent below 1990 levels by 2050. The State translates these reduction goals by requiring local jurisdictions to meet per capita GHG emissions of no more than 6 metric tons by 2030 and 2 metric tons by 2050.

[20] CEQA Section 15183.5 (1) requires municipalities to create comprehensive, evidence-based GHG reduction plans that quantify emissions, set defensible targets, specify implementation measures, include monitoring systems, and undergo public adoption processes.

[21] Energy emissions for households calculated via EPA online tool: www.epa.gov/energy/greenhouse-gas-equivalencies-calculator.

[22] Formula: 981,000 (metric tons) / 110,933 (population) equals 8.4.

[23] Carlsbad's carbon footprint of 8.4 metric tons per capita exceeds that of neighboring cities - Oceanside at 5.8, Vista at 6.1, Escondido at 6.2, and San Marcos at 6.3. Data reflects different baseline years (2012-2016) which may affect comparability.

[24] Source: EPA greenhouse gas equivalencies calculator tool: www.epa.gov/energy/greenhouse-gas-equivalencies-calculator.

4.0 ORGANIZATION

4.1 Governance

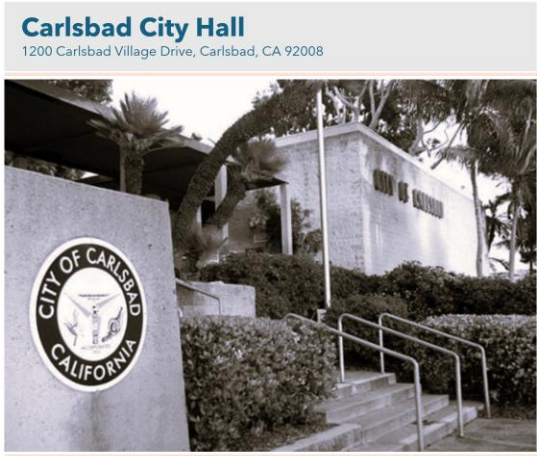


Photo Credit: City of Carlsbad

The City of Carlsbad operates as a charter-law municipality under its own locally adopted charter, also known as "home rule." Carlsbad established its charter status through Proposition D in June 2008 with 82.4% of registered voters supporting the City Council-sponsored transition. Proponents cited the benefits of retaining growth management powers and reducing costs associated with prevailing wage requirements that apply to general-law municipalities. Carlsbad's Charter largely affirms general law powers and duties while maintaining a council-manager governance format in which the Council sets policy and the City Manager implements it. Nonetheless, the Charter includes several distinct local authorizations, highlighted by the following provisions:

- Affirms the principles and intentions of Proposition E (1986) establishing a local growth management plan.
- Authorizes the expenditure of general fund monies to promote and support economic and community development.
- Allows local standards and rules to fund public improvements and services as well as setting standards for awarding related contracts.

Carlsbad's five-member City Council is divided between an at-large Mayor and four Councilmembers with the latter group divided as of July 2017 into four "districts." Each district includes about 20,000 registered voters as of the 2020 census. All members receive a salary and benefits; they may also participate in the City's pension program with CalPERS.[25]

[25] The annual salary paid to the Mayor and Councilmembers at the end of the report period is $29,457 and $28,257, respectively. Auto allowances are also provided at $5,400 for the Mayor and $4,200 to Councilmembers.

City of Carlsbad:
Council Members as of June 2026
Table A-4.1a | Source: City of Carlsbad

Member	Position	Years on Council	Background
Melanie Burkholder	District 1	4	Mental Health
Kevin Shin	District 2	2	Public Safety/Entrepreneur/Veteran
Priya Bhat-Patel	District 3	8	Public Health
Teresa Acosta	District 4	6	Public Relations
Keith Blackburn	Mayor	18	Public Safety

* Other elected Carlsbad officials are the City Clerk and City Treasurer.

The City Council holds regular meetings generally two to three Tuesdays each month unless otherwise notified. Meetings are broadcast live on the local public access channel (Channel 24), with video recordings archived on the City website.

Carlsbad maintains more than one dozen standing boards and commissions to help inform City Council decision-making on topics of elevated policy priority. During the report period, the Planning Commission, Traffic Safety and Mobility Commission, Library Board of Trustees, and Arts Commission have been the most active, with annual average meeting totals of 16, 12, 11, and 9 meetings respectively. Summaries follow.

Governance Help…

The City of Carlsbad maintains 14 standing boards and commissions spanning topics from land use to public safety to arts and culture. During the five-year report period ending in 2023, these bodies held an average of 80 public meetings each year, led by the Planning Commission at nearly 16 per year.

- The Agricultural Conservation Mitigation Fee Citizens Advisory Committee consists of seven public members to provide advisory recommendations to the City Council on proposed expenditures from the Agricultural Conversion Mitigation Fee Fund. Established in 2005 when Carlsbad began collecting a per-acre fee from developers for converting agricultural land to urban uses, the Committee is staffed by the Housing and Homeless Services Department and has held three meetings during the period.

- The Arts Commission consists of seven appointed public members to provide advisory recommendations to the City Council on implementing the Arts Element of the Carlsbad General Plan as well as the Arts & Culture Master Plan (adopted in 2018). The Commission was established in 1985 with staffing by the Library & Cultural Arts Department. This Commission has held 44 meetings during the report period.

- The Beach Preservation Commission (now the Environmental Sustainability Commission) was established in 1986 and consists of seven appointed public members to provide advisory recommendations to the City Council on shoreline protection and enhancement and related topics. Originally staffed by the Parks and Recreation Department, this Commission has held 16 meetings during the report period. The Council transitioned this body to the Environmental Sustainability Commission in July 2025, with staffing now provided by the Environmental Sustainability Department.

- The Carlsbad Tomorrow Growth Management Citizens Committee was established by the City Council to develop recommendations for a new approach to managing future growth consistent with maintaining quality of life and state law compliance. The Committee met 15 times between March 2022 and April 2023, and its final report was accepted by the City Council on July 18, 2023. Membership included representatives from each Council district and City advisory commissions appointed by the Mayor and Council.

- The Community-Police Engagement Commission consists of five appointed public members to provide advisory recommendations to the Police Department on policies, procedures, and training. The Commission was established in 2022 and staffed by the City Clerk's Office. There were two meetings in 2023.

- The Golf Lodging Business Improvement District consists of five appointed members representing lodging and golf businesses collectively tasked with making advisory recommendations to the City Council on proposed expenditures involving collected assessments. It was established in 2012 in step with Carlsbad forming the Golf Lodging Business Improvement District and the levying of $2 per room each night to promote golf-related overnight stays in the City. Staffing is provided by the Economic Development Department. This Board has held 26 meetings during the report period. *This Board has since been disestablished with service provided by Visit Carlsbad.*

- The Historic Preservation Commission consists of five public appointed members - tasked with making advisory recommendations to City Council and Planning Commission on historic preservation initiatives and minimizing impacts to historic resources. It was established in 1997 with staffing provided by Community Development. This Commission has held 26 meetings over the report period.

- The Housing Commission consists of five appointed public members – two Housing Agency clients and three with related expertise – who provide advisory recommendations to the Community Development Commission and City Council on housing topics, including affordability objectives. The Housing Commission was established in 1999 and staffed by the Housing and Homeless Services Department. This Commission has held 35 meetings during the report period.

- The Library Board of Trustees consists of five appointed public members who provide advisory recommendations to the City Council on ongoing library operations and serve as a community forum on related topics. The Board was established in 1961 and staffed by the Library & Cultural Arts Department. This Board has held 54 meetings during the report period.

- The Parks and Recreation Commission consists of seven appointed public members who provide advisory recommendations to City Council on parks and recreation topics, including recreational programs and plantings on all public properties; it also hears appeals on planting decisions involving street trees. The Commission was established in 1953 and staffed by the Parks & Recreation Department. This Commission has held 35 meetings during the report period.

- The Planning Commission consists of seven appointed public members who provide advisory recommendations to the City Council on implementing and updating the General Plan, development projects, and related programs and plans. The Commission was established in 1952 and staffed by the Community Development Department. This Commission has held 132 meetings during the report period.

- The Senior Commission consists of five appointed public members who provide advisory recommendations to the City Council on developing and operating programs to meet the needs of elder residents. The Commission was established in 1985 and staffed by the Parks and Recreation Department. This Commission held 26 meetings during the report period.

- The Tourism Business Improvement District Board consists of seven appointed members – all from the lodging industry – who provide advisory recommendations to the City Council on proposed expenditures using collected assessments. The Board was established in 2023 when Carlsbad formed the Tourism Business Improvement District and levied a 2% assessment on gross lodging revenue to promote overnight tourism. Staffing is provided by the Economic Development Department. This Board

held 30 meetings during the report period.

* *The Board has since been disestablished and reformed under another enabling statues with services provided by Visit Carlsbad.*

- The Traffic Safety and Mobility Commission consists of seven appointed public members who provide advisory recommendations to the City Council on vehicle and pedestrian circulation and safety. The Commission was originally established in 1968 with five members and later expanded to seven members and renamed the Traffic Safety Commission. The Commission is staffed by the Transportation Department and held 60 meetings during the report period.

Additional information is footnoted.[26]

4.2 Administration + Staffing

The City of Carlsbad operates under a council-manager form of government with a full-time City Manager responsible for overseeing and coordinating all municipal operations in alignment with City Council-adopted policies and direction. Scott Chadwick served as Carlsbad's City Manager throughout the five-year report period ending in 2023 before voluntarily departing and being replaced by Geoff Patnoe in December 2024.[27] Under Carlsbad's Municipal Code, the City Manager is authorized to appoint, discipline, remove, promote, or demote all city officers and employees with the exception of the City Clerk, City Treasurer, City Attorney, and employees in the City Attorney's Office.[28]

As of the end of the report period, Carlsbad budgeted a total of 806.8 full-time equivalent (FTE) positions. This total is allocated between the following five City branches with several having multiple departments or divisions: Administrative Services, Community Services, Fire, Police, and Public Works. The largest share of budgeted positions throughout the five-year report period has been allocated by the City Council to public safety functions, specifically fire and police services. Combined, these two Departments have consistently accounted for nearly two-fifths of all budgeted City positions during the report period.

[26] Subsequent to the end of the report period, the Investment Review Board was established in 2025 to regularly review Carlsbad's investment portfolio. The Board consists of the elected City Treasurer as well as four public members - all nominated by the City Treasurer and approved by the City Council. The Board works with the City Treasurer, Deputy City Treasurer, and investment staff and meets on a quarterly basis. As of the publishing of this report, the Board has met two times.

[27] City Manager Patnoe's employment agreement provides a base salary of $293,135 with 12-month severance absent cause.

[28] *Reference: Carlsbad Municipal Code Section 2.12.035.*

5.0 MUNICIPAL SERVICE FUNCTIONS

The City of Carlsbad provides an extended range of municipal services within its jurisdictional boundaries with limited reliance on outside special districts. This report has been scaled by the Executive Officer to focus on five specific service functions that underpin Carlsbad's growth and development as well as community needs. These are also functions that – with one notable exception relating to land use decisions – are commonly provided by special districts throughout California. These targeted functions involve (a) wastewater, (b) integrated fire protection, emergency medical, and ambulance services, (c) parks and recreation, (d) library and cultural arts, and (e) community development. Other pertinent municipal services provided by Carlsbad – including police protection and solid waste collection – are expected to be separately reviewed by LAFCO as part of future countywide studies. A summary analysis of the five targeted service functions with respect to resources and capacities, demands, and performance measurements follows.

Focused MSR: Targeting Five for Now…

This regional municipal service review focuses on five service functions underpinning the City of Carlsbad's growth and development: (a) wastewater, (b) integrated fire, emergency medical and ambulance, (c) parks and recreation, (d) library and community arts, and (e) community development.

5.1 Wastewater Function

The City of Carlsbad's wastewater function comprises three classes – collection, treatment, and discharge – and currently covers close to four-fifths – 82% - of the City's jurisdictional boundary, serving an estimated population of 87,140. Wastewater services for the remaining developed areas in Carlsbad are provided by either the Leucadia Wastewater District (LWD) or the Vallecitos Water District (VWD), both of which were established prior to the City's incorporation in 1952. While collection is entirely performed by Carlsbad, treatment and associated discharge/reuse is provided by contract through a joint powers authority – Encina Wastewater Authority (EWA) – in partnership with five other local agencies: City of Vista, City of Encinitas, VWD, LWD, and Buena Sanitation District (BSD).[29] [30] The following analysis examines the wastewater function and its three major service classes, covering resources, capacities and demands, and performance.

Two-Tier Structure: Divided Collection + Shared Treatment…

Wastewater service in the City of Carlsbad is delivered through a collaborative framework. Collection responsibilities are divided among three agencies with Carlsbad managing nearly four-fifths of the jurisdictional boundary. Treatment and discharge are provided regionally by the Encina Wastewater Authority, which receives flows from Carlsbad, Encinitas, Vista, San Marcos, and adjacent county areas.

Resources | Budget + Staffing

Carlsbad's wastewater service function operates under the Public Works Branch's Utilities Department. It is organized as an enterprise fund with the intention of being entirely self-sufficient with any surplus re-invested into the system either directly through capital improvements or indirectly through reserves. During the five-year report period ending in 2023, actual operating revenues averaged $16.2 million annually with approximately 97% generated directly through monthly wastewater service charges. Operating expenses for the wastewater function have averaged $14.8 million annually and largely ties to covering three

Operating Actuals…

Actual operating revenues have averaged $16.2 million annually during the five-year report period ending in 2023, with a 41% overall growth compared to the start of the five-year period beginning in 2019. Actual operating expenses have averaged $14.8 million during the period with a (14.6%) overall decrease compared to the report period start.

[29] EWA is owned by six public agencies and governed by a Joint Powers Authority (JPA) that facilitates cost sharing and enables economies of scale the owners could not achieve independently. The JPA was founded in 1961 by Carlsbad and Vista. Over the next decade, the JPA was joined by the Buena Sanitation District, Vallecitos Water District, Leucadia Wastewater District and City of Encinitas.

[30] Prior to the 1960s, the City of Carlsbad treated wastewater at a small facility near Buena Vista Lagoon.

budget categories: administrative, general, and operations.[31] Overall, the wastewater function's average annual operating margin is 9.1% across the five years.[32]

City of Carlsbad:
Wastewater Function Budget Resources
Table A-5.1a | Source: City of Carlsbad + SD LAFCO

Categories	2019-2023 5-Year Averages
Actual Operating Revenues	
… Average Annual	$16.247 million
… Overall Change	41.0%
Actual Operating Expenses	
… Average Annual	$14.767 million
… Overall Change	(14.6%)
Budget Performance	
… Overall Budget to Actual Ratio	0.94

Budgeted staffing dedicated to supporting Carlsbad's wastewater function at the end of the report period in 2023 totals 21.6 FTEs. This staffing amount reflects a change of 2.0 full-time additional positions across the five-year report period.[33]

Resources |
Wastewater Rates

Carlsbad charges monthly fees for wastewater collection, treatment, and discharge services. User fee collections have accounted for 97.0% of actual revenues during the five-year period ending in 2023. The calculation method varies by customer class: single-family residential customers pay flat monthly rates, while multi-family residential, commercial, and other customer classes pay volume-based rates with different subclass tiers. A breakdown of wastewater fees across all categories through the report period follows with additional details on Carlsbad's primary customer classes – single family, multi-family, and group commercial – provided below.

Catching Up …

The City of Carlsbad's wastewater rates remained frozen from 2016 through 2019 before the City implemented four consecutive annual increases to address deferred repairs and upgrades. For single-family customers – 90% of all accounts – the monthly bill rose from $28 to $43, a 55% overall increase over the five-year report period ending in 2023.

[31] The largest wastewater expense category fluctuated over the review period. In three of the five years, administrative and general expenses accounting for the highest share with an average of 67.7% of total costs. In the remaining two years, the largest expense was associated with the operation of the Encina Wastewater Treatment Plant, comprising 73.3% of costs. These shifts are primarily due to the year-to-year variability in capital expenditures at the Encina facility.
[32] The net margin calculation includes all operating and non-operating revenues minus operating expenses excluding depreciation.
[33] Budgeted staffing dedicated to wastewater at the end of the period equals 32.1% of the overall Carlsbad Utilities Department total.

Single-Family Residential | A flat monthly fee based on an average "return to sewer" rate of 80% calculated from the two lowest potable water demand months systemwide. The calculation is performed for the entire wastewater service area rather than individual customers. This class includes duplexes and accounts for 90% of all active accounts.

Multi-family Residential | A volume-based fee charged according to monthly water consumption and calculated individually for each customer account. This class includes apartments and mobile homes. It accounts for 6% of all active accounts.

Group Commercial | A volume-based fee is charged according to monthly water consumption and calculated individually for each customer account. It comprises several subclasses with escalating rate tiers, ranging from the lowest rate for office buildings to the highest rates for restaurants. It accounts for 4% of all active accounts.

City of Carlsbad:
Wastewater Rates, FY19 to FY23
Table A - 5.1b | Source: City of Carlsbad + SD LAFCO

+52.7%	+47.5%	+46.9%
Avg Residential Increase	Avg Commercial Increase	Avg All Categories

Residential (Flat Monthly Fee)		
Single Family	+55.0%	$27.81 → $43.11
w/ 2nd Unit	+55.0%	$41.72 → $64.67
Multi-Family	+50.8%	$3.29 → $4.96
Mobile Home	+50.8%	$3.29 → $4.96

Commercial (Per Water Unit)		
Group 2	+55.9%	$2.70 → $4.21
Industrial Pretreatment	+49.9%	$4.53 → $6.79
Group 3	+46.6%	$4.10 → $6.01
Group 4	+37.4%	$7.65 → $10.51

Educational (Per Student)		
Junior High	+54.9%	$0.82 → $1.27
Elementary	+54.5%	$0.55 → $0.85
High School	+53.6%	$1.10 → $1.69
Boarding School	+53.0%	$5.75 → $8.80

Breweries (Per Water Unit)		
Group 1	+50.4%	$2.80 → $4.21
Group 3	+33.5%	$7.87 → $10.51
Group 2	+29.2%	$9.07 → $11.72
Group 4	+28.3%	$11.26 → $14.45

A commercial connection dedicated to the City of Vista is not reflected.

Illustration Created with Anthropic

A closer review shows wastewater rates remained unchanged from 2016 through 2019, representing a four-year rate freeze prior to the report period. Beginning in 2020, Carlsbad implemented annual rate adjustments that continued through 2023, resulting in sizable cumulative increases across all rate categories in an attempt to catch up after a long period

of no increases to address infrastructure repairs and upgrades. For single-family residential customers – who represent over 90% of customers – the monthly bill has increased by 55% during the report period, with the average monthly bill rising from $27.81 to $43.11.[34]

Capacities | Collection System

Carlsbad's wastewater collection system primarily relies on gravity flow to receive and convey wastewater through a network of approximately 268 miles of sewer mains. The system is supported by 13 lift stations – 11 owned and operated by Carlsbad and two jointed owned with Vista - that transport wastewater to high points in the collection system, where it then flows by gravity to the joint-use EWA facility.[35] Other collection system features follow and further detailed in the associated table.

98% Gravity…

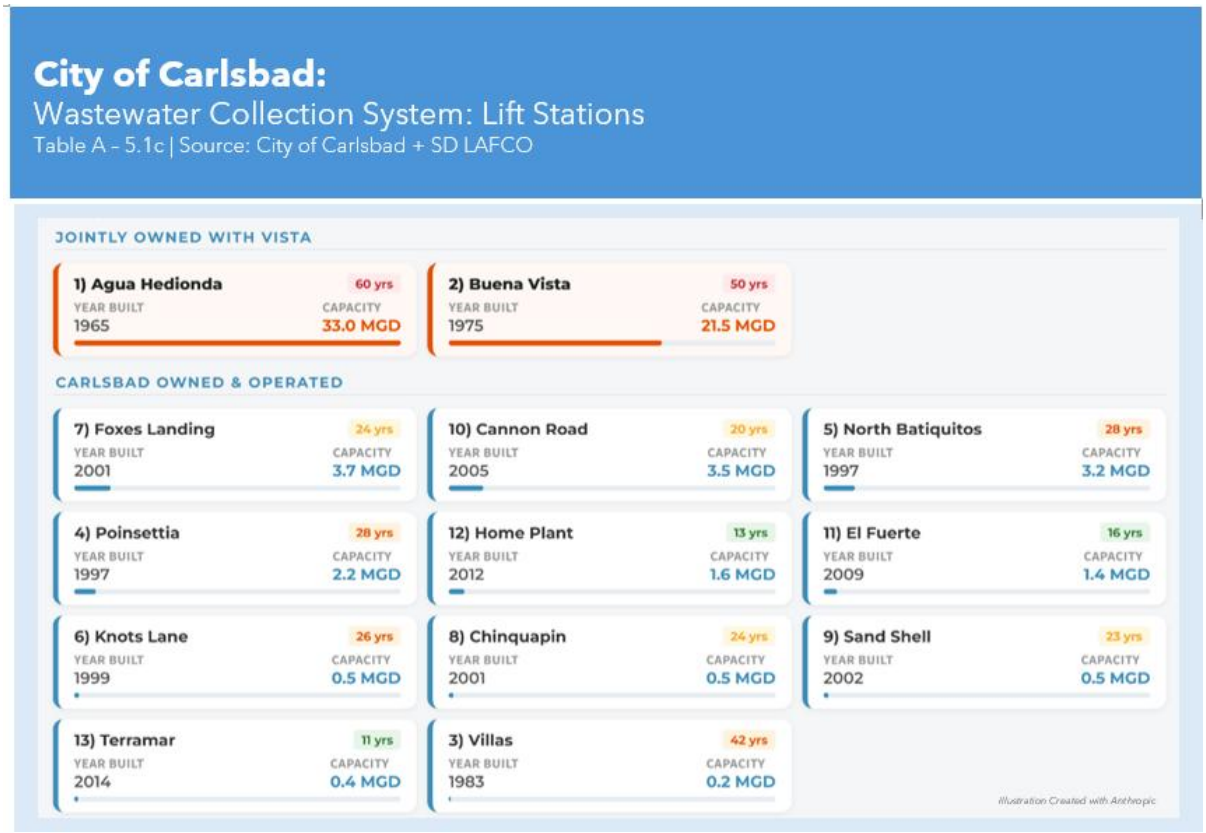
The City of Carlsbad's wastewater collection system spans 268 miles of sewer mains with 98% gravity-fed. Thirteen lift stations manage raising flows where needed towards the joint-use EWA facility for treatment and disposal. 70% of the collection system is less than 45-years old, with older pipelines proportionally serving Carlsbad's downtown area.

- Force mains represent approximately 1.6% of the total collection system.
- System age varies considerably. Approximately 70% of the system is less than 45 years old, reflecting suburban development following the late 1980s. Older pipelines are primarily located in the downtown area with some exceeding 80 years.
- System expansion has been minimal, with no significant expansions during the five-year report period ending in 2023. However, increased development density is anticipated in the near future and is expected to place a substantial burden on collection system capacity.
- Service area is limited to Carlsbad's jurisdictional boundary; City attests it does not provide wastewater services outside its jurisdictional boundary.

[34] Single-family residential rates are calculated as flat monthly fees based on an average "return to sewer" rate of 80% derived from the two lowest potable water demand months system-wide, rather than individual customer usage. The average monthly bill increased by $15.30 over the report period, from $27.81 to $43.11. This change represents a 55% increase compared to the original amount.

[35] The 11 Carlsbad owned-operated lift stations are smaller-capacity facilities serving localized areas throughout the City's service area. These stations lift wastewater to higher elevations to maintain gravity flow through the system, utilizing approximately 4.3 miles of force mains where needed. The two jointly-owned lift stations – Agua Hedionda and Buena Vista – have the largest capacities, with Buena Vista also used by Vista through a joint transmission line to receive and convey wastewater flows from Oceanside to the EWA facility. The jointly owned lift stations are managed by Buena Vista and the City of Carlsbad. Operations are performed by EWA, while the force mains are maintained and operated by Buena Vista rather than EWA.

Capacitiy details for Carlsbad's lift stations follow.



As noted previously, Carlsbad's wastewater services cover nearly four-fifths of the City's jurisdictional boundary with two other agencies – LWD and VWD – serving the remaining areas. Wastewater from Carlsbad and LWD converges near the North County Transit District's Carlsbad Poinsettia Station and is conveyed through a shared trunk sewer to the EWA facility. VWD operates a separate conveyance system to send most of its wastewater (primarily from San Marcos and a small portion from the southeastern part of Carlsbad) directly to EWA through trunk sewers and force mains that cross through Carlsbad's territory.[36] Carlsbad wastewater is also conveyed via direct connection to VWD's Outfall.

[36] A portion of wastewater from VWD's service area is treated locally at VWD's Meadowlark Wastewater Treatment Plant, which is located near Rancho Santa Fe Road and La Costa Meadows Drive.

Capacities |
Treatment + Disposal Facilities

Carlsbad sends all its collected wastewater to the EWA facility (Encina) for treatment and disposal via leased capacity rights in the Buena Sanitation District's Buena Outfall and the VWD's Land Outfall interceptor sewers. The Encina facility is classified as a Grade V plant by the State Water Resources Control Board and is the highest rating possible.[37] The facility was originally built in 1965 and staffed by EWA's employees. The facility has gone through five major expansions through the end of the report period and uses a variety of processes to treat the wastewater prior to ocean discharge or for recycled water production as summarized in order below:

Quarter Share of EWA…

The EWA facility – jointly owned by Carlsbad with Vista, Encinitas, Vallecitos Water District, Buena Sanitation District, and Leucadia Water District – receives all collected wastewater from Carlsbad, with the City holding approximately 10.260 million gallons of the facility's 43.3-million-gallon daily treatment capacity across liquid, solids, and ocean outfall allocations. About one-third of treated wastewater is now diverted to recycled water uses based on production during the five-year report period ending in 2023

- Influent screening & grit removal
- Sedimentation
- Aeration with return activated sludge
- Clarifiers
- Anaerobic digestion
- Biosolids dewatering, drying, & pellet production

The current total daily treatment capacity at the Encina facility is 43.3 million gallons. EWA has a detailed capacity apportionment system among its member agencies which tracks three main capacity limits at the facility – liquid sewage capacity, solids handling capacity, and ocean outfall capacity. Carlsbad's daily allocations for all three categories is set at 10.260 million gallons and represents between 24% and 25% of the overall categories. As further discussed, Carlsbad's average day wastewater deliveries now amount to 60% of their allocated capacity for liquids and solids and 62% of ocean outfall capacity.

EWA reports that the Encina facility currently diverts up to one-third of the wastewater it treats annually from ocean outfall and redirects it to two water reclamation facilities for conversion into recycled water, with the diverted volume varying based on recycled water demand. Treated wastewater is conveyed to the Carlsbad Water Recycling Facility (CWRF),

[37] A Grade V plant in the context of a wastewater agency refers to a facility that requires operators to have at least a Grade IV certificate. T his classification indicates a higher level of complexity and responsibility within the wastewater treatment process. Operators in Class V plants must be certified and have qualifications to manage the advanced processes and systems involved in wastewater treatment.

which is owned by the City of Carlsbad and operated by EWA under contract, and to the Gafner Water Reclamation Plant, which is owned and operated by LWD.[38]

Demands |
Wastewater Flows

Carlsbad's average annual wastewater generation during the five-year report period ending in 2023 has been approximately 2.23 billion gallons, based on an average daily flow of 6.11 million gallons. Daily wastewater flows entering Carlsbad's collection system and conveyed to the Encina facility have increased by 7.3% over the 60-month period. A breakdown of recorded flow averages for Carlsbad across dry-weather, wet-weather, and peak-day conditions is detailed below and further shown in the associated tables.[39]

6.1 Million Gallons a Day…

The City of Carlsbad's wastewater collection system has conveyed an average of 6.110 million gallons daily to the joint-use EWA over the five-year report period ending in 2023. Peak-day demands have averaged 11.430 million gallons – nearly double the average daily.

Dry-Weather Flows | Average dry-weather flow during period is 6.01 million gallons per day, measured between May and October and captures baseline household demand. Daily flows reach 6.07 million gallons at the period close, representing a 1.9% increase.

Wet-Weather Flows | Average daily wet-weather flow during period is 6.81 million gallons, measured between November and April and captures inflow and infiltration (I&I) entering the collection system during storm events. Daily flows reach 7.53 million gallons at the end of period close, representing an increase of 16.4%.

Peak-Day Flows | Average peak-day flows during period is 11.43 million gallons, producing a peak factor of 1.87 relative to average daily flows. This value is largely influenced by a single extreme event of 18.12 million gallons recorded during a severe rain event in April 2020, and as further addressed attributable to excess flows sourced to Buena SD entering Carlsbad's collection system. Excluding this outlier, the peak factor adjusts downward to 1.59.

[38] CWRF is located next to the Encina facility and produces tertiary-treated recycled water distributed citywide for landscape irrigation, including limited areas outside Carlsbad's wastewater service area. Remaining secondary-treated effluent from Encina is discharged through EWA's 1.5-mile ocean outfall, which ends 150 feet below the surface with a 700-foot diffuser to enhance sweater mixing.

[39] Dry weather flows measure baseline sewage generation during non-rainy periods while wet weather flows include additional stormwater inflow and infiltration. This distinction is material for wastewater agencies as it enables proper infrastructure sizing, identifies system deficiencies requiring repair, ensures regulatory compliance during varying conditions, and supports accurate financial planning for both operational costs and capital improvements.

City of Carlsbad:
Wastewater Demands
Table A – 5.1d | Source: EWA + SD LAFCO

Detailed Flow Data (Million Gallons per Day)

Year	Average Daily Flow	Daily Dry Weather	Daily Wet Weather	Recorded Peak Day
2019	**5.99**	5.96	6.47	11.1
2020	**6.59**	6.52	8.2	18.12
2021	**5.97**	5.96	6.17	8.24
2022	**5.56**	5.56	5.7	6.38
2023	**6.43**	6.07	7.53	13.29
Average	**6.11**	**6.01**	**6.81**	**11.43**
% Change	+7.35%	+1.85%	+16.36%	+19.73%

Illustration Created with Anthropic

City of Carlsbad:
Wastewater Demands Comparison
Table A – 5.1e | Source: EWA + SD LAFCO

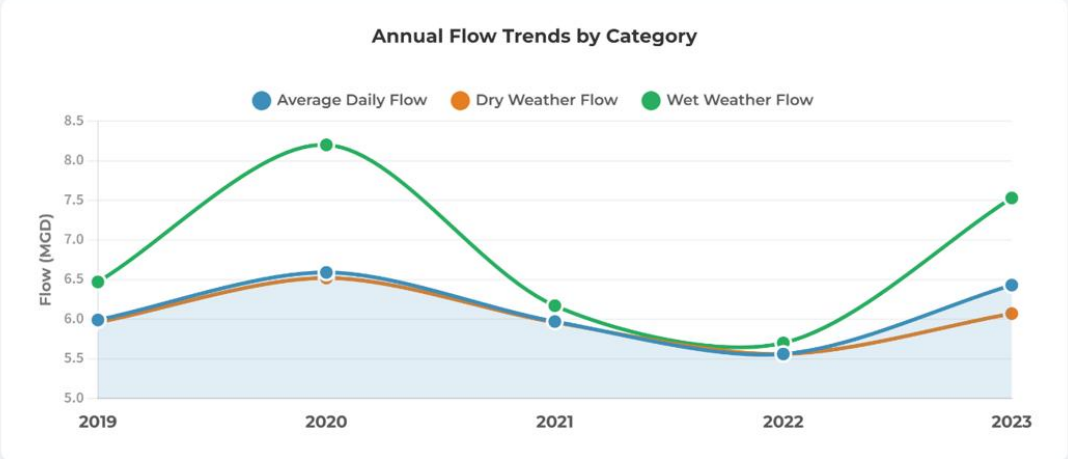


Illustration Created with Anthropic

Demands |
Connections + EDUs

Carlsbad's wastewater demands at the end of the five-year report period ending in 2023 tie to 24,079 active customer connections with nearly 90% categorized as single-family residential. The number of customer connections has modestly increased by a total of 120 – or 0.5% – during report period, despite absorbing losses in each of the final two years (2022 and 2023). All new connections to the wastewater system are associated with new construction with the notable exception of accessory dwelling units (ADUs) and junior accessory dwelling units (JADUs), which are typically permitted to connect to existing residential service laterals without requiring separate connections.

Steady Connections With Rising EDUs…

The City of Carlsbad's wastewater customer base has been steady with less than 1% increase in physical connections over the five-year report period ending in 2023, while EDUs have increased by more than 7% and signaling demand intensification.

For capacity planning, Carlsbad measures usage in "Equivalent Dwelling Units" (EDUs) at 164 gallons per day based on its latest cost-of-service study. This assignment, paired with average year flows, results in an average EDU count within Carlsbad's wastewater system of 37,244 over the report period – or about 1.55 EDUs per connection. This is an elevated ratio for a system where over 90% of accounts are single-family residential, suggesting – and the City attests – greater intensity from growing commercial use.

City of Carlsbad:
Wastewater Demands: Connections + EDUs
Table A – 5.1f | Source: EWA + SD LAFCO

Year	Sewer Connections	Annual Change	Growth Rate	Est. EDUs (Flow-Generated)
2019	23,959	—	—	36,524
2020	24,040	+81	+0.34%	40,183
2021	24,103	+63	+0.26%	36,402
2022	24,096	-7	-0.03%	33,902
2023	24,079	-17	-0.07%	39,207
Total Change	+120	Net +120	+0.5%	Avg: 37,244

Illustration Created with Anthropic

Table Notes:
1. EDUs are measured on 164-gallon units. Carlsbad is currently updating measurement.
2. Carlsbad staff reports residential and commercial EDUs are calculated differently and assume different sewer generation rates based on development type, building size, building use, or occupancy.

Performance |
Syncing Up Resources, Capacities, and Demands

The City of Carlsbad's wastewater enterprise remains financially sound, serving a largely built-out area relative to zoning where growth now centers on infill and gradual intensification. The system posted a 9% operating margin over the five-year report period, generating sufficient revenue to sustain operations and build reserves — though this stability concurrently has drawn on relatively sizable rate increases over the final four years that for most residential users has meant their monthly bills have gone up 55%, making up for an earlier four-year stretch from 2016 to 2019 with no changes. Customer growth has been minimal based on physical connections, and while demands have increased in excess portion to new develpoment, flows remain within system capacities. These and related performance themes are examined below.

1960s Growth Expectations Leave Headroom in 2020s |
Carlsbad's current average day wastewater flow during the five-year report period ending in 2023 has been 6.110 million gallons – equal to 60% of its allocated treatment and discharge capacity at Encina, based on facility plans initially developed in the 1960s. This leaves Carlsbad with the theoretical headroom to accommodate a sizeable increase in demands – upwards of 25,305 additional EDUs on paper. While existing development and current zoning make this level of growth improbable, the available capacity reflects priorities from a different era — one that anticipated and encouraged expansion on a scale later generations have chosen to moderate.

Wet Weather + Elevated Inflow |
Carlsbad's average day wet-weather flow during the five-year report period ending in 2023 has been 6.810 million gallons – equal to 66% of the City's allocated treatment and discharge capacity at Encina. Although well within system capacities, the 16% increase in average wet-weather flows compared to 2% in average dry-weather flows shows increasing inflow and infiltration entering the collection system rather than reflecting organic demand growth.

Wet Weather + Shared Infrastructure Dynamics |
Carlsbad's peak wet-weather-day demands reveal another dynamic. The period average peaking factor of 1.9 is high and largely driven by a single storm event in 2020 that produced a recorded peak of 18.120 million gallons – nearly three times the average daily flow and well beyond both Carlsbad's Encina allocation and its own collection system capacity. An April 10, 2020 overflow confirms the latter constraint

with excess flows in Buena Sanitation District's (BSD) sewer main reversing into Carlsbad's connecting line, spilling approximately 95,000 gallons per State Board records. The incident underscores the vulnerability of the shared interceptor Carlsbad and BSD jointly use to convey flows to Encina – as well as the degree to which system performance can be shaped by conditions originating outside Carlsbad's control.

Effectively Managed Day-to-Day Enterprise |

Carlsbad's wastewater system has generated positive revenue surpluses in four of the five years across the report period ending in 2023, leading to a period average operating margin of 9%, or $1.481 million. The lone shortfall occurred in 2019 and was immediately cured beginning in the following year with the City Council approving consecutive rate increases to account for higher operating costs – including rising pass-throughs from EWA, which is the function's single-largest expense line.[40] These surpluses have concurrently helped rebuild the wastewater function's fund balance by more than half from $9.982 to $15.067 million over the report period.

Reserves + Funding Capital Improvements |

The ongoing replenishing of Carlsbad's wastewater fund – which has increased over the five-year report period via operating surpluses from $9.982 million in 2019 to $15.067 million in 2023 – is necessary as the sole budgeted source funding the City's 15-year sewer replacement capital program, estimated at $112.200 million at period's close. The program is dominated by Carlsbad's share of Encina facility improvements, followed by rehabilitation and replacement needs tied to an aging collection of infrastructure. Carlsbad's sewer replacement fund carries a negative balance at the close of the report period and is projected to remain in deficit through the planning horizon, all of which increases the significance and need for continued operating surpluses to keep the wastewater system operating without major breakdowns.

Proactive Prevention Paying Off |

Carlsbad performs regular preventive maintenance across its 268-mile wastewater collection system to maximize lifespan while reducing the near-term risk of backups and overflows. Cleaning frequencies range from quarterly for high-priority segments to a full system cycle no less than every three years. The effectiveness in Carlsbad's proactive attention in preventive maintenance is evident in the City experiencing only five spills during the five-year report period ending in 2023 – one attributed to an overflow in BSD's system and the other four involving low-category findings by the State Board, none of which affected surface waters. Materially, even when counting all five spills, this

[40] The average year operating surplus less FY19 is $2.817 million.

translates to an exceptional ratio of 0.37 spills per 100 miles per year over the five-year report period compared to the median and average ratios for public wastewater agencies established by the State Board of 3.4 and 8.2, respectively.[41]

5.2 Integrated Fire, Emergency Medical, + Ambulance Function

The City of Carlsbad formally established fire protection services in 1955 with the formation of its own Fire Department, replacing an all-volunteer unit that had been serving the City since its incorporation in 1952.[42] By the early 1960s, Carlsbad had opened its first dedicated fire station within the newly constructed City Hall on Pio Pico Drive and began hiring full-time firefighters. In 1972, the annexation of the La Costa neighborhood significantly expanded the Fire Department's service area and responsibilities and facilitated a period of capital expansion with two new fire stations opening over the next two years – one at El Camino Real and Arenal Road and another on Elm Street (now Carlsbad Village Drive).

Three for One…

The City of Carlsbad's fire protection function has evolved since formal establishment in 1955 to encompass three integrated classes: fire protection (suppression and rescue), emergency medical (advanced life support), and ambulance transport. These integrated services account for 16% of the City's General Fund expenditures over the five-year report period ending in 2023.

Carlsbad's Fire Department now operates out of seven stations. Services now encompass three integrated classes: fire protection (suppression and rescue), emergency medical (advanced life support or ALS), and ambulance transport. Carlsbad's first-response service area also provides fire protection, emergency medical services including ambulance transport to the McClellan-Palomar Airport, State lagoons, and Carlsbad State Beaches.[43] [44] Fire Chief Michael Calderwood has served in the position since July 2018. A summary of the function's core resources, capacities, demands, and performance follows.

41 Source: State Water Board, SSO Reduction Program Annual Compliance Report (2011).
42 The volunteer company had been supported by the new City through the provision of a fire engine.
43 These out-of-agency agreements expand the Fire Department's service area by an additional 44 acres. There are approximately 7 miles of linear beaches within the City of Carlsbad, 6 of which are State Beaches, with the remaining strand the City of Carlsbad.
44 Carlsbad integrated paramedic and ambulance services into its Fire Department in 1977, further enhancing its emergency response capabilities. Carlsbad's ambulance and emergency medical functions are separately categorized by the Commission as direct and paramedic-advanced life support respectively, and since 1977, Carlsbad has continuously maintained ambulance and ALS service at not less than existing levels.

Resources |
Budget + Staffing

Carlsbad's integrated fire protection, emergency medical, and ambulance services are the responsibility of the Fire Department and resourced through the City General Fund. (A dedicated analysis of the General Fund is provided in Section 6.2.) Personnel costs represent the largest expense category, accounting for 78% of all Fire Department expenditures during the five-year report period marked by supporting 134.5 FTEs at the 2023 period close.[45] These integrated fire services account for 15.8% of total City General Fund expenditures over the five-year report period.

Investment Underway...

The City of Carlsbad has increased funding for its integrated fire protection function each year during the five-year report period ending in 2023. The cumulative budget increase totals 62%, with the Fire Department's share of the General Fund growing from 15% to 19% over the same period. This increase directly ties to implementing several planned expansions during the report period: a seventh fire station, year-round lifeguards, and additional ambulance coverage.

City of Carlsbad:
Integrated Fire Protection Budget Resources
Table A-5.2a | Source: City of Carlsbad + SD LAFCO

Categories	2019-2023 5-Year Averages
Budgeted Expenses	
… Average Annual	$29.5 million
… Overall Change	62.2%
Actual Expenses	
… Average Annual	$29.9 million
… Overall Change	46.8%
Budget Performance	
… Overall Budget to Actual Ratio	1.01

A closer review of budget-to-actual expenses within the General Fund shows integrated fire protection costs tracked closely to expectations over the report period, with the overall budget-to-actual ratio totaling 1.01 - a variance of 1.9%. While actuals exceeded budget in three of the five years (2019, 2021, 2022), only one – 2021 – involved a sizable overspend, attributable to pandemic conditions.[46] Further, while budget appropriations have grown 62% in step with planned authorizations to expand services (seventh fire station, year-round

[45] Amount includes Carlsbad's lifeguard program staffed by a total of 7 FTE positions, several of whom are licensed paramedics.
[46] Additional factors contributing to the period-overspend tie to City Council authorizations for additional appropriations during the year and timing delays in which appropriations have been encumbered but unspent in a given fiscal year and driven by the reasons stated in the report.

lifeguards, additional ambulance coverage), actuals have increased only 47% – a widening margin suggesting spending discipline by management.

Consistent with most public safety services, Carlsbad's integrated fire protection function is primarily dependent on human resources through staffing arrangements governed by a memorandum of understanding (MOU) with the Carlsbad Firefighters' Association. The MOU includes the following key provisions:

Work Schedule | Establishes a traditional "Kelly" schedule averaging 56 hours per week. Under this schedule, firefighters work 24-hour shifts followed by 24 hours off, alternating for eight days, then receive either four or six consecutive days off.

Compensation | Sets entry-level annual pay for a first-year firefighter/paramedic at $87,804 at the end of the report period (2023).

Approximately one in seven Carlsbad employees belong to the Fire Department as of the end of the report period in 2023. Overall budgeted staffing totals 134.5 FTE at the end of the report period – an increase of 42.5 positions, or 46.2%, over the preceding five years. This staffing increase corresponds to three specific service expansions approved by the City Council: adding year-round lifeguard services, staffing two additional ambulances, and opening a seventh fire station. A breakdown of budgeted staffing via its three divisions – (a) administration, (b) emergency operations, and (c) community risk reduction and resiliency – with per 1,000 capita measurements follows.

City of Carlsbad:
Integrated Fire Protection, Staffing Resources
Table A – 5.2b | Source: City of Carlsbad + SD LAFCO

Division	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	5-Yr Average	Growth Trend
Fire Administration	4.0	5.0	5.0	5.5	4.5	4.8	+12.5%
Emergency Operations	80.0	86.5	86.5	103.0	117.5	94.7	+46.9%
Community Risk Reduction	8.0	11.75	11.75	12.5	12.5	11.3	+56.3%
Total FTE	**92.0**	**103.3**	**103.3**	**121.0**	**134.5**	**110.8**	**+46.2%**
Per 1,000 Residents	*0.8*	*0.90*	*0.90*	*1.05*	*1.12*	*0.96*	*+46.3%*

Illustration Created with Anthropic

Capacities |
Deployment, Facilities + Equipment

Carlsbad's integrated fire protection function is delivered from seven fire stations throughout Carlsbad under the command of the Assistant Fire Chief and supported by three shift Battalion Chiefs who oversee A, B, and C platoons. Each 24-hour shift deploys 34 public safety personnel across all stations. Every fire engine, truck company, and ambulance is staffed with at least one paramedic, ensuring that each emergency response includes a minimum of two paramedics capable of delivering advanced life support. Dispatch service is provided by North County Dispatch Joint Powers Authority (JPA).[47] Station details follow along with summarizing call volume in the associated illustration along with detailing vehicle assignments.

Capacity Floor...

The City of Carlsbad sets the following minimum deployment levels with respect to its integrated fire protection function:

Fire Engines |
Three, at least One Paramedic

Fire Trucks - Ladders |
Four, at least One Paramedic

Ambulances |
Two, at least One Paramedic

Station No. 1: Downtown (1966)

This station is located at 1275 Carlsbad Village Drive, east of Interstate 5. Highest call volume of all stations with average of 10.66 responses per day – 35% of the daily total demand. Staffed with six personnel every 24-hour period.[48]

Station No. 2: La Costa Area (1969, Rebuilt in 2022)

This station is located at 1906 Arenal Road, east of Interstate 5. Third highest call volume with average of 5.13 responses per day – 17% of the daily total demand. Staffed with five personnel every 24-hour period.[49]

Station No. 3: Robertson Ranch Area (2016)

This station is located at 3465 Trailblazer Way, east of Interstate 5. Fourth highest call volume with an average of 3.19 responses per day – 11% of the daily total. Staffed with five personnel every 24-hour period.[50]

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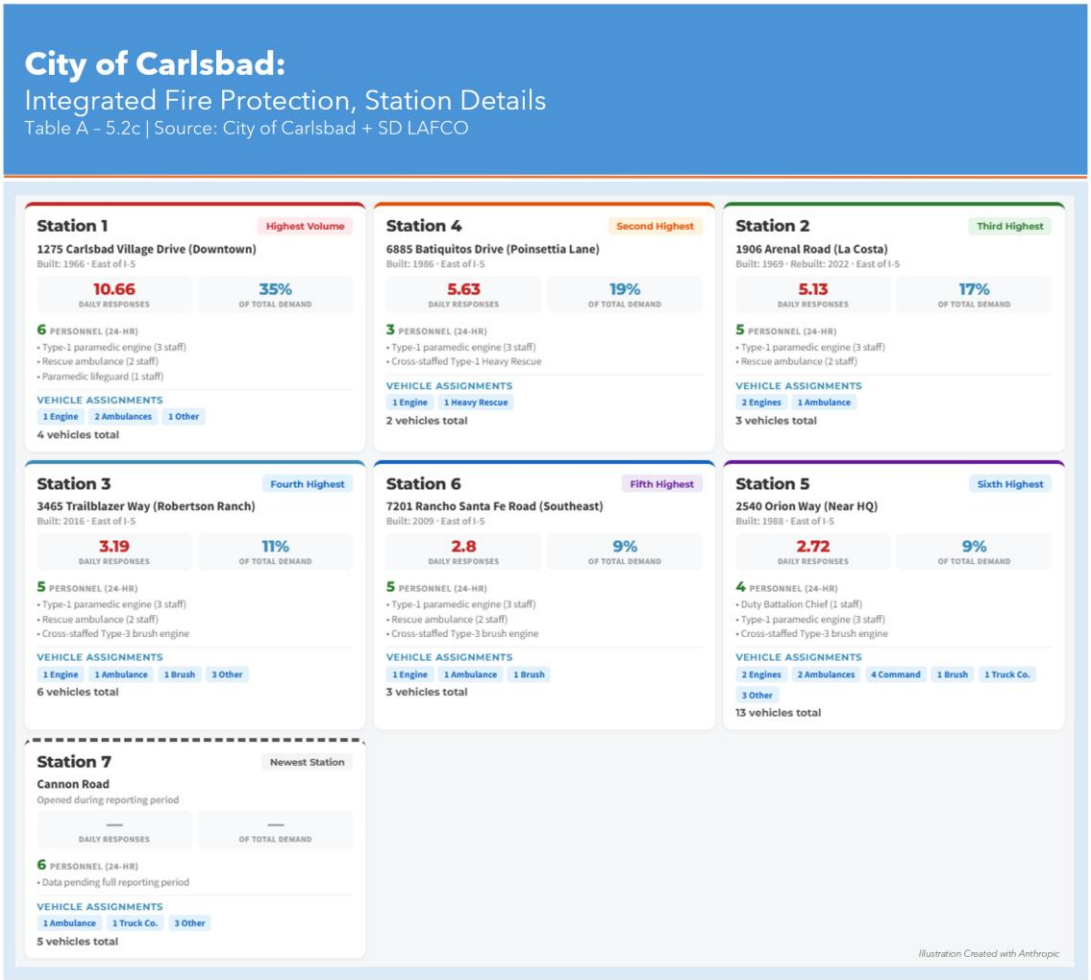
[47] North County Dispatch JPA was initially established in 1984 and provides fire and medical emergency dispatch services to cities and special districts covering an estimated population of over 700,000 spanning 448 square miles north San Diego County. These services include answering 911 emergency and business phone calls, providing Emergency Medical Dispatch (EMD) and related instructions.

[48] No. 1 operates a Type-1 paramedic engine company staffed with 3, a rescue ambulance staffed with 2 and a paramedic lifeguard.

[49] No. 2 operates a Type-1 paramedic engine company staffed with 3, and a rescue ambulance staffed with 2.

[50] No. 3 operates a Type-1 paramedic engine company staffed with 3, and a rescue ambulance staffed with 2. It also cross staffs a Type-3 brush engine.



Station No. 4: Central Carlsbad (1986)

This station is located off Poinsettia Lane in Carlsbad at 6885 Batiquitos Drive, east of Interstate 5. Second highest call volume with an average of 5.63 responses per day – 19% of the daily demand. Staffed with three personnel every 24-hour period.[51]

Station No. 5: Airport Area (1988)

This station is located near the Police & Fire Headquarters at 2540 Orion Way, east of Interstate 5. Sixth highest call volume with an average of 2.72 responses per day – 9% of the daily total demand. Staffed with four personnel every 24-hour period.[52]

Station No. 6: Southeast Carlsbad (2009)

This station is located at 7201 Rancho Santa Fe Road, east of Interstate 5. Fifth highest call volume with an average of 2.8 responses per day – 9% of the daily total demand.

[51] No. 4 operates a Type-1 paramedic engine company staffed with 3. It also cross-staff's a Type-1 Heavy Rescue unit.
[52] No. 5 operates with a Duty Battalion Chief, a Type-1 paramedic engine company staffed with 3, and cross-staff's a Type-3 brush engine.

Staffed with five personnel every 24-hour period.[53]

Station No. 7: Central Coast Carlsbad (2023)
This station is located on the site of the former Encina Power Plant at 4600 Carlsbad Blvd, west of Interstate 5. It is currently labeled a "temporary" station and opened in January 2023. Daily response demands for a full fiscal year are not available for this station since it just opened. Staffed with six personnel every 24-hour period.[54]

Specific to the placement of ambulance resources, Carlsbad operates five ALS ambulances on a 24-hour basis, all of which are staffed with one firefighter/paramedic and one single-role emergency medical technician (EMT).[55] Ambulance services are delivered out of Stations No. 1, 2, 3, 6, and 7. In addition, Carlsbad keeps three reserve ambulances to maintain readiness in the event front line ambulances are out of service or when surge capacity is needed for ambulance delivery.

Carlsbad supplements its own integrated fire protection, emergency medical, and ambulance capacities by maintaining reciprocal automatic aid agreements with surrounding jurisdictions.[56] Most notably, Carlsbad is a signatory to the San Diego North Zone Auto Aid Agreement along with Marine Corps Base Camp Pendleton, North County Fire Protection District (FPD), Rancho Santa Fe FPD, Valley Center FPD, and the Cities of Vista, Oceanside, Encinitas, Del Mar, Solana Beach, San Marcos, and Escondido. All agencies under the North Zone Auto Aid Agreement deploy resources based on which unit is closest or upon request, including response time considerations. The substantive effect of the agreement – assuming relatively fair exchanges between agencies in deploying outside aid – is faster response times and enhanced emergency capabilities across the entire North County region. Additional

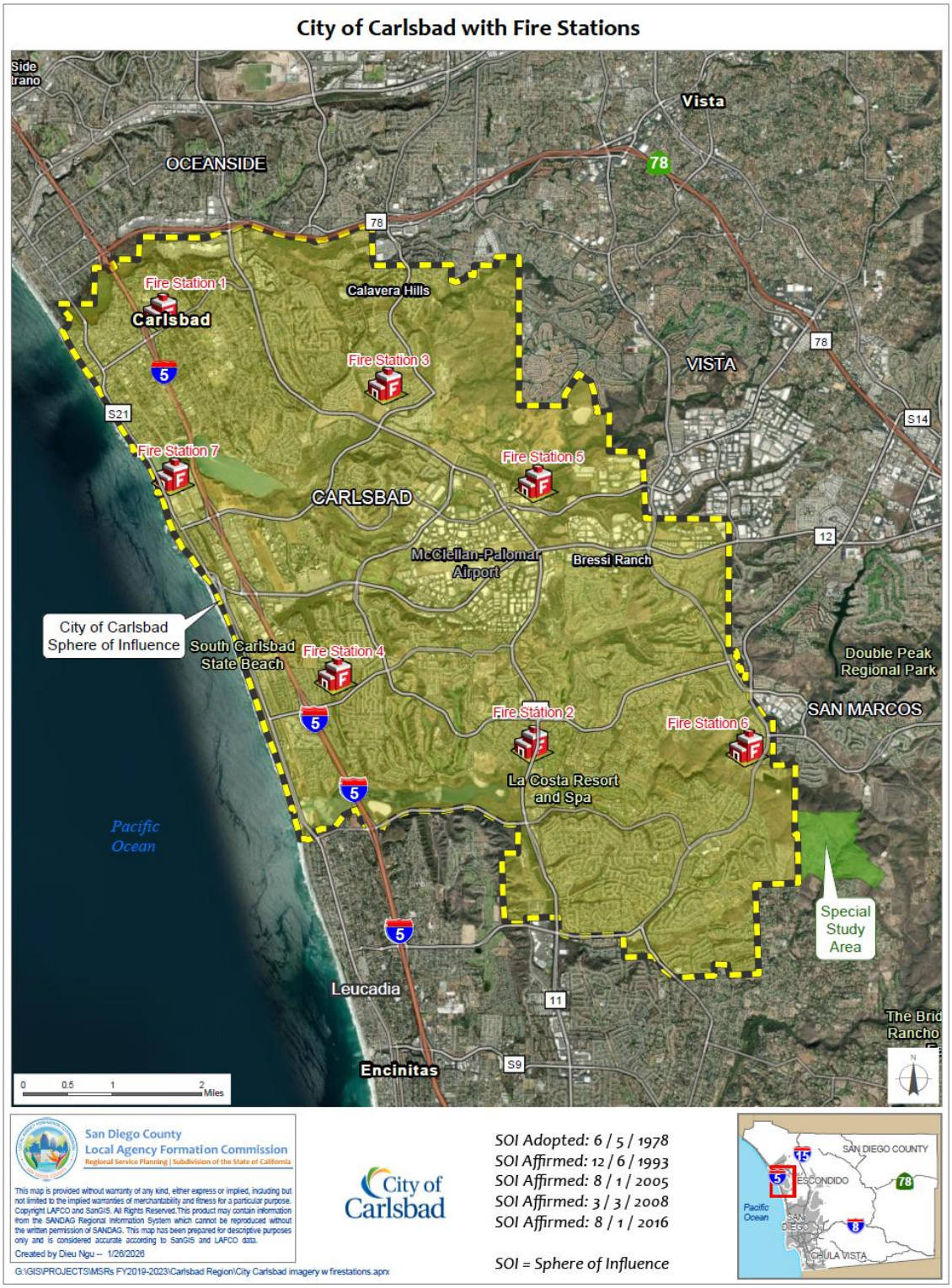
Resource Reciprocity…

The City of Carlsbad is a member of a multi-agency auto-aid agreement that includes all nearby cities and special districts' fire services in North County. This agreement provides Carlsbad with additional resources when needed; it also tasks Carlsbad to provide resources to outside jurisdictions when needed.

[53] No. 6 operates a Type-1 paramedic engine staffed with 3, a rescue ambulance staffed with 2, and cross-staff's a Type-3 brush engine.
[54] No. 7 operates a truck (ladder) company staffed with 4 and a rescue ambulance staffed with 2.
[55] Advanced 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.
[56] LAFCO recognizes automatic aid is particularly valuable in responding to larger incidents where multiple fire units and/or specialized rescue and fire suppression equipment are needed, as well as handling calls that cross jurisdictional boundaries, where units from an adjoining jurisdiction are the closest, most appropriate resource. Measuring automatic aid response includes identifying the percentage of an agency's total call volume where an outside agency was dispatched and determining the type of service the outside agency provided

details on the volume of automatic aid agreement transactions are provided in the following section on demands.

Map No. A - 5.2



Demands |
Calls, Onsite Arrivals, + More

Dispatched calls represent a direct and quantifiable measure of public demand for the City of Carlsbad's integrated fire protection services. Most notably, dispatched calls serve as a core signal that drives daily operations and resource deployment decisions. During the five-year report period ending in 2023, Carlsbad's average annual dispatch call volume has been 13,510 – the equivalent of slightly more than 37 calls every day with 30 involving reported incidents within City limits.[57] Call volumes have also increased for Carlsbad during the period by 23%, accelerating the pace of emergency response demands with the final year tally reaching the equivalent of 42 per day.

Every 39 Minutes ...

The City of Carlsbad's average dispatch demand for integrated fire protection during the five-year report period ending in 2023 equaled 37 calls each day – the equivalent of one emergency every 39 minutes. (30 calls involved areas within City limits.) Call volume increased during the period by 23%, accelerating the pace of emergency response demands.

Less than one-tenth of all dispatched calls received by Carlsbad during the report period were cancelled typically due to duplicative reports, false alarms, or situations being resolved before arrival. The overall cancellation rate for all calls dispatched to Carlsbad during the period has averaged 7.7% while the rate for calls within City limits specifically has been 9.4%. Both cancellation rates appear within a reasonable range for fire service providers and do not merit concern with respect to indicating any systematic problems, whether sourced to dispatch or elsewhere.

Additionally, the higher cancellation rate within Carlsbad's jurisdictional limits compared to outside calls appears reasonable and affirms the system is working as intended. This pattern aligns with the greater likelihood of multiple reports and self-resolved situations in urban areas while the lower rate for outside calls indicates those represent more confirmed emergencies. The difference between dispatched calls and cancellations defines Carlsbad's actual onsite arrivals, averaging 10,974 per year, or about 30 per day. Roughly one-third of all incidents were dispatched to Station 1 (Downtown), another third to Stations 2 (La Costa) and 4 (Central), and the remainder to the City's four other stations.

A detailed breakdown of calls and onsite arrivals follows.

[57] The remaining dispatched calls to Carlsbad involved incidents outside the City - either as a result of contracts with the County and State to cover the Palomar Airport and Carlsbad State Beach, respectively, or mutual/auto aid agreements

City of Carlsbad:

Integrated Fire Protection, Suppression, Rescue + EMT Demands

Table A – 5.2d | Source: City of Carlsbad + SD LAFCO

Category	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	Average	Trend
Total Dispatched Incidents	12,388	12,469	13,227	14,181	15,286	13,510	23.4%
Total Dispatched Incidents in Carlsbad	10,557	10,396	10,730	11,431	12,068	11,036	14.3%
Total Cancelled Calls in Carlsbad	936	961	1,099	1,104	1,107	1,041	18.3%
TOTAL ONSITE RESPONSES (Carlsbad and Outside Areas)	10,494	10,346	10,668	11,359	11,999	10,974	14.3%
Total Onsite Responses – City Limits	9,621	9,435	9,631	10,327	10,961	9,995	13.9%
Average Daily Responses – City Limits	26.4	25.8	26.4	28.3	30.0	27.4	13.6%
Responded by Carlsbad in Carlsbad	7,506	7,428	7,575	7,929	8,770	7,842	16.8%
Responded by Carlsbad + Others in Carlsbad	2,343	2,348	2,484	2,754	2,610	2,508	11.4%
Responded by Other Only	645	570	609	676	619	624	(4.0%)
% Automatic Aid Received	24.1%	23.4%	23.4%	24.2%	21.1%	23.2%	(12.4%)
% Automatic Aid Provided	19.2%	20.5%	22.5%	23.3%	24.2%	21.9%	26.0%

Illustration Created with Anthropic

Drawing from the preceding table, the following summarizing observations apply.

- Onsite Demands: Carlsbad's annual onsite arrival demand increased each year during the report period, up 14.3% overall – from one incident every 50 minutes in 2019 to one every 44 minutes in 2023.

- City-Only Incidents: Incidents within Carlsbad account for an average of 91.1% of all onsite arrivals, a share that has remained essentially unchanged with less than a 1% overall adjustment.

- Out-of-City Responses: Calls outside Carlsbad represent the remaining 8.9% of total onsite arrivals, rising modestly by 4.8% during the period.

- Operational Self-Sufficiency: Carlsbad responded without outside auto-aid to 78.5% of all onsite incidents, improving by 2.6% over the period.

The portion of onsite incidents necessitating transport during the report period has averaged 5,054 ambulance trips annually – or 13.8 per day. The final year figure represents the peak amount, equivalent to 17.4 daily ambulance trips, underscoring a significant period increase of 41.3%. While Carlsbad's recent expansion from three to five ambulances may have contributed to some increased utilization with improved availability, the magnitude of the increase in transport demand suggests genuine underlying growth in community medical needs. The substantial increase suggests the original three-ambulance deployment model was inadequate to meet actual community requirements, and the decision and investment in additional units were merited and reveal previously unmet demand – especially given Carlsbad's demographics and aging population. Information on ambluance fees is footnoted.[58]

From 3 to 5 Ambulances + Truing Up to Demand…

The City of Carlsbad's ambulance transports have increased 41% over the five-year report period ending in 2023 to 17.4 trips per day – suggesting the expansion from three to five units has been timely.

A breakdown on ambulance transport during the report period follows with additional information on impacts on the General Fund footnoted.[59]

City of Carlsbad:
Integrated Fire Protection, Ambulance Transport Demands
Table A - 5.2e | Source: City of Carlsbad + SD LAFCO

Category	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	Average	Trend
Total Dispatched Incidents	7,792	8,178	8,865	10,042	11,093	9,194	42.4%
Total Cancelled Calls	3,302	3,605	4,307	4,740	4,748	4,140	43.8%
Total Onsite Incidents	**4,490**	**4,573**	**4,558**	**5,302**	**6,345**	**5,054**	41.3%
… within Carlsbad	3,891	3,846	3,811	4,379	5,190	4,223	33.4%
… outside Carlsbad	599	727	747	923	1,155	830	92.8%
Auto aid received (transports)	1,021	884	943	876	852	915	(16.6%)

Illustration Created with Anthropic

58 Carlsbad's master fee schedule as of July 2025 provides the patient charge for a BLS/ALS trip is $2,732 plus $43.00 per mile. Carlsbad contracts with an outside firm (Wittman Enterprises, Rancho Cordova) to bill insurance companies, MediCal, and Medicare as well as patients for insurance co-pays.

59 Revenue from ambulance service and transport is deposited into the General Fund and has increased from $2.5 million to $4.4 million over the report period, a 74.7% increase. This growth is likely attributable to: expanded ambulance capacity through the addition of two units and proactive use of supplemental government reimbursement programs, including Ground Emergency Medical Transportation (GEMT) and Public Provider Ground Emergency Medical Transportation (PPGEMT).

The two most frequent hospitals utilized by Carlsbad are Scripps (Encinitas) and Tri-City Hospital (Oceanside). Patients requiring a trauma center would either go to Scripps (La Jolla) or Palomar (Escondido).

A unique feature of Carlsbad's integrated fire protection services involves staffing lifeguards to provide emergency response and related public education services along the City's public beaches. Available data covers the first four years of the five-year report period and shows significant demands across the board – starting with beach attendance in Carlsbad rising nearly double with a period average of just over 842,000 visitors annually. Over this same abbreviated period, the average number of annual rescues performed by Carlsbad was 408 while absorbing its own nearly triple increase.[60] Only one drowning throughout the five-year period was recorded, although the incident occurred in an unguarded area, meaning no lifeguard was present in the swimming area at the time of the drowning as it was prior to lifeguards' scheduled duty hours. Medical aids provided by lifeguards increased by 141.8%. A breakdown of lifeguard service demands follows.

Busier Beaches, Steady Safety…

Carlsbad's beach attendance nearly doubled over the first four years of the five-year report period, surpassing 1.2 million visitors – driving sharp increases in lifeguard service demands in water rescues (+193%), medical aids (+142%), and preventive actions (+51%). Enforcement actions increased a comparatively modest 36%, suggesting larger crowds have not translated into proportional enforcement concerns. Drowning fatalities remained rare, with just one recorded during the period. (FY2023 data are unavailable due to a server crash and are non-recoverable.)

City of Carlsbad:
Integrated Fire Protection, Lifeguard Demands
Table A – 5.2f | Source: City of Carlsbad + SD LAFCO

Category	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	Average	Trend
Beach Attendance (est.)	619,486	699,445	845,304	1,203,950	N/A	842,046	94.4%
Water Rescues	280	213	320	820	N/A	408	193.0%
Preventive Actions	24,827	26,220	25,861	37,430	N/A	28,585	50.8%
Medical Aids	91	131	250	220	N/A	173	141.8%
Boat Rescues	0	3	16	2	N/A	5	N/A
Enforcement	370	1,053	564	502	N/A	622	35.7%

FY23 lifeguard service demand data is unavailable due to a server crash and is non-recoverable.

Illustration Created with Anthropic

[60] The City of Carlsbad advises that lifeguard service demand is concentrated during the May–September peak season. Accordingly, a peak-season daily rate – fewer than three rescues per day – provides a more accurate representation of operational conditions than an annualized average.

Performance |
Syncing Up Resources, Capacities, + Demands

Carlsbad's integrated fire protection function appears well-resourced relative to local conditions and has been the beneficiary of additional investment by the City Council with the budget rising by just over 62% during the five-year report period ending in 2023 – now representing 16% of all General Fund monies. The Fire Department has made use of these funds by expanding capacities across all field operations – including in the form of additional front-line responders: firefighters, paramedics and lifeguards. These actions have proven strategically sound given the persistent upward trajectory in service demands documented during the report period – signaling the investments have proactively addressed real-time capacity needs rather than reactive spending. This and other key performance measurements and related themes follow.

Strategic Capacity Building |
Carlsbad significantly expanded its integrated fire protection function during the five-year report period ending in 2023 by increasing staffing levels 46% to 134.5 FTEs. This expansion has been a targeted investment by the City Council tied to three specific service enhancements: year-round lifeguards, two additional ambulances, and opening a seventh fire station. This disciplined approach to capacity building aligns resources directly with documented demands as substantiated in this review.

Timely True Up to Ambulance Transport Needs |
Total ambulance transport demand for Carlsbad has climbed 41% during the five-year report period ending in 2023 while auto aid received for transports declined by (16.6%). This dynamic shows Carlsbad is handling significantly more incidents while depending less on outside assistance — a pattern enabled by the recent expansion from three to five front line ambulances. A key takeaway is the investment made by the City Council appears to directly align with community needs while simultaneously strengthening operational self-sufficiency.

Self-Sufficient in Meeting Community Demands |
Carlsbad's resources and related management practices have positioned it to independently meet nearly four-fifths of all onsite fire, emergency medical, and ambulance incidents within City limits during the five-year report period ending in 2023. This measure of self-sufficiency has improved throughout the period despite sizable demand increases and helps protect Carlsbad from vulnerabilities faced by agencies that rely more heavily on outside assistance for routine operations.

Above the ISO Curve |
Carlsbad's evaluation of structural fire protection capabilities from the Insurance Services Office (ISO) was completed during this five-year report period in 2019 and resulted in a Class 3 designation.[61] This rating is considered admirable for an incorporated city and above the current average 4/4x rating among the 890 fire agencies in California reviewed by ISO.[62]

No Shortchanging Reciprocity |
Carlsbad's ratio of auto-aid received to auto-aid provided during the five-year report period closely aligns at 23.2% and 21.9%, respectively. This near-perfect balance indicates Carlsbad has achieved an optimal position with respect to receiving adequate support for onsite incidents within City limits while contributing fairly to regional emergency response capacity.

One Drowning in Five Years vs. 4.2 Million Beach Visitors |
Carlsbad's lifeguard program recorded a single drowning on the North Beach area during the five-year report period ending in 2023 – and it occurred prior to normal duty hours. This record is remarkable given the scale of activity: more than 4.2 million beach visitors over the period and annual rescues tripling to exceed 400.

5.3 Parks & Recreation Function

The City of Carlsbad's parks and recreation function dates to the time of incorporation in 1952 with ties to an initial all-volunteer group called the Park, Beach, and Recreational Commission. By 1954, the work of the volunteer group transitioned into a formal Parks and Recreation Department, which was marked by the concurrent acquisition of Carlsbad's first public park – Holiday Park. Carlsbad continued to focus its parks and recreation services throughout the next several decades on planning and developing traditional free play spaces in the form of general-purpose parks and playgrounds.

Evolving with the Community: Play Spaces to Organized Activities

The City of Carlsbad's parks and recreation function has evolved and expanded from an initial focus on providing play spaces to now cultivating naturalistic open spaces and trails alongside organized recreation activities. The function consists of three overlapping classes for purposes of this report: (a) aquatics; (b) parks and open space; and (c) community recreation. These overlapping services account for 10% of the City's General Fund expenditures over the five-year report period ending in 2023.

[61] In 2024, Carlsbad Fire Department was evaluated again by ISO and improved their rating to a Class 2 Fire Department.
[62] 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.

The function began to evolve and expand in step with demographic changes in the community, headlined by the arrival of younger and more active families beginning in the 1970s and continuing through the end of the 1990s as Carlsbad transformed from a small town of 15,000 to a full municipality of 78,000. The substantive result of evolving alongside a growing and changing community is that Carlsbad's parks and recreation function began to pursue more diverse offerings – ranging from conservation-focused open space and trail systems to a comprehensive array of organized activities. This continuing evolution was formally reflected in the City Council's adoption of the Parks & Recreation Department Master Plan Update on September 26, 2023.[63] The update provides a long-range framework for guiding park development, recreational programming, facility investment, and service priorities in response to changing community needs and demographic trends.

Carlsbad's parks and recreation is anchored by 42 general-purpose community parks and special use areas as of the end of the five-year report period ending in 2023. These core amenities are supplemented by five community centers – including a senior center – two aquatic complexes, several specialty parks, and over 700 acres of open space and trails, all managed through Carlsbad's Parks & Recreation Department. Director Kyle Lancaster has served in the position since April 2019. A summary of the function's core resources, capacities, demands, and performance follows.[64]

Resources | Budget + Staffing

Carlsbad's parks and recreation function's primary funding source is the City General Fund. These all-purpose monies have consistently covered close to two-thirds of the Parks and Recreation Department's average annual actual expenses during the five-year report period ending in 2023. (A dedicated analysis of the General Fund is provided in Section 6.2.) The remaining funds used to support the parks and recreation function tie to enterprise monies generated at Carlsbad's 18-hole municipal golf course ("Crossings") and – to a lesser extent – service user charges and donations.

Big Investment Continues…

The City of Carlsbad Parks and Recreation Department's consistent allocation of nearly one-tenth of all General Fund monies during the five-year report period ending in 2023 is unique among other local municipalities and demonstrates the City viewing parks and recreation as a core funding priority rather than a discretionary amenity.

[63] City of Carlsbad Parks and Recreation Department Master Plan Update.
[64] Other community services including library and cultural arts amenities will be discussed in the proceeding section.

Personnel costs during the period account for about 30% of actual expenses and support 59 budgeted FTEs as of the final year.[65] The balance of actual expenses – 70% of all costs – has gone to operations with nearly one-third of which covers day-to-day activities at the golf course. Overall, the Parks and Recreation Department's actual expenses account for nearly 9.7% of total City General Fund expenditures over the five-year report period.

City of Carlsbad:
Parks and Recreation Function Budget Resources
Table A-5.3a | Source: City of Carlsbad + SD LAFCO

Categories	2019-2023 5-Year Averages
Total Budgeted Expenses	
…Average Annual	$29.210 million
…Overall Change	16.34%
…Portion Covered by General Fund	$18.841 million / 11.1%
Total Actual Expenses	
…Average Annual	$28.065 million
…Overall Change	21.18%
…Portion Covered by General Fund	$18.320 million / 65.3%
Budget Performance	
…Overall Budget to Actual Ratio	0.96

A closer review of budget-to-actual expenses shows Carlsbad's Parks and Recreation Department's costs remained within City Council planning expectations in four of the five years during the report period; only 2022 finished over budget, but by a relatively modest amount. The overall budget to actual ratio during the period is considered excellent at 0.96, a variance rate of (4.0%), with cumulative budget savings of $5.728 million. A portion of these savings is attributable to reduced programming and facility closures implemented by management during the pandemic in 2020 and 2021.

Overall budgeted staffing for the Parks and Recreation Department totals 59.0 FTE at the end of the report period in 2023 – an increase of four positions, or 7.3%. This increase in full-time staff corresponds to service enhancements made going into the final year to add four positions to support the aquatics activities – including converting several hourly lifeguard roles into three full-time positions. The budgeted amount produces a ratio in

Front-Line Service Focus…

The City of Carlsbad dedicates less than one-fifth of its Parks and Recreation full-time positions to administration, focusing the majority of staffing where residents directly experience services –in parks, recreation programs, and maintenance activities.

[65] Amount does not include budgeted hourly staff.

which slightly more than seven out of every 100 budgeted Carlsbad employees belong to the Parks and Recreation Department as of the end of the report period. (This amount does not include 71.6 budgeted hourly staff for Parks and Recreation, with a large portion associated with summer programs.)

A breakdown of budgeted staffing across the Parks and Recreation Department's six budgeted divisions (a) Administration, (b) Recreation, (c) Parks and Trail Maintenance, (d) Street Trees Maintenance, (e) Medians Maintenance, and (f) The Crossings at Carlsbad Municipal Golf Course follows.

City of Carlsbad:
Parks + Recreation Function, Budgeted Staffing Levels
Table A – 5.3b | Source: City of Carlsbad + SD LAFCO

Division	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	5-Yr Average	Growth Trend
Administration	11.45	12.45	11.45	11.3	10.3	11.4	-10.0%
Recreation	19.25	18.25	19.25	19.4	24.4	20.1	+26.8%
Parks and Trail Maintenance	19.35	19.45	19.85	19.45	20.4	19.7	+5.4%
Street Tree Maintenance	2.7	2.65	2.45	2.65	3.9	2.9	+44.4%
Median Maintenance	2.25	2.2	2.0	2.2	0	1.7	-100.0%
Crossings	0	0	0	0	0	0	0.0%
Total FTE	**55.0**	**55.0**	**55.0**	**55.0**	**59.0**	**55.8**	**+7.3%**

Illustration Created with Anthropic

Capacities and Demands |
Aquatics and Parks, Open Space, + Recreation

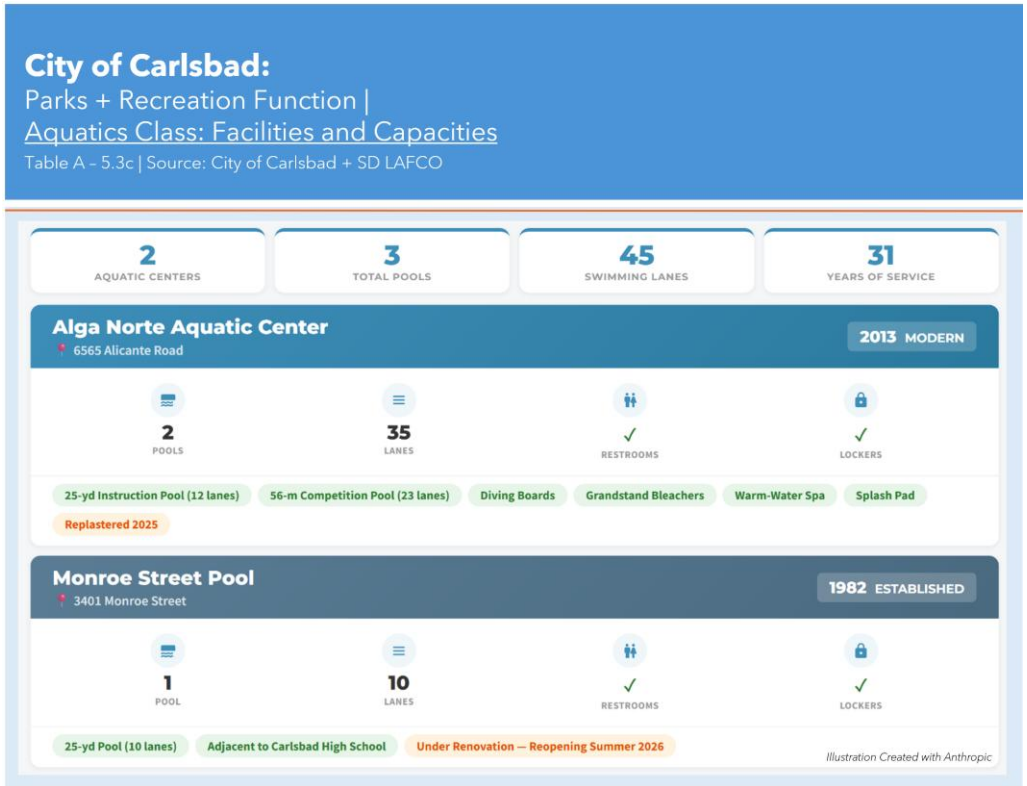
This report organizes the evaluation of the City of Carlsbad's parks and recreation function into two overlapping classes consistent with recent municipal service reviews: (a) aquatics and (b) parks, open space and recreation. The evaluation is structured to catalog core facilities and their respective public-facing capacities with an emphasis on public-facing components. Demands are also evaluated when applicable.

Aquatics

Carlsbad began providing aquatic services in 1982 with the opening of Monroe Street Pool, the first of two municipal swimming facilities. The original facility is in northwestern Carlsbad and adjacent to Carlsbad High School; it is also currently under renovation with plans to reopen in late summer 2026. A second facility – Alga Norte Aquatic Center – was added in late 2013 in southeastern Carlsbad. Alga Norte features a 25-yard instruction pool with 12 lanes, a 56-meter competition pool with 23 lanes complete with diving boards and grandstand bleachers, a warm-water outdoor spa, and a splash pad for children. It underwent pool replastering and restroom renovations in 2025. The Alga Norte facility represents a significant capacity expansion with 3.5 times more lanes than the Monroe Street Pool and reflects a substantial investment in meeting growing aquatic recreation demand.[66]

31 Years in the Making…

Carlsbad's aquatic facilities span over three decades, from the established Monroe Street Pool (41 years) to the modern Alga Norte Aquatic Center (11 years). Together, these facilities provide 45 total swimming lanes across three pools – accommodating both competitive and recreational users.



[66] Both facilities are accessible to the public with entrance fees ranging from $3 for children to $5 for adults.

Aquatic class offerings are scheduled by Carlsbad based on community interest and largely influenced by recent attendance. During the five-year report period ending in 2023, the average actual number of aquatic classes offered by Carlsbad has been 998 annually. This figure translates to a per capita ratio of 8.72 classes for every 1,000 residents.[67] Consistent with adjusting to community input and other outside factors, class offerings have fluctuated over the report period with a clear decline during the pandemic followed by a recovery peak in 2021. More recent trends show a brief attendance spike in 2022, followed by a pullback in 2023. While the last two years are more consistent relative to the pandemic-era volatility, class offerings remain prone to external variability.[68]

Swimmingly Well...

Carlsbad's aquatic classes showed remarkable resilience and efficiency gains during the five-year report period with participant enrollment growing 62% while class offerings remained relatively stable

City of Carlsbad:
Parks + Recreation Function |
Aquatics Class: Demands
Table A - 5.3d | Source: City of Carlsbad + SD LAFCO

874	4,953	4.4	+64.8%
AVG CLASSES / YEAR	AVG PARTICIPANTS	PARTICIPANTS / CLASS	PARTICIPATION GROWTH

Category	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	5-Yr Average	Growth Trend
Aquatic Class Offerings	766	911	755	1,183	756	874	(1.3%)
Aquatic Class Participants	3,312	3,274	3,609	5,645	5,381	4,953	+62.4%
Average Participants Per Class	4.3	3.6	4.8	4.9	7.1	4.4	+64.8%

Illustration Created with Anthropic

Parks, Open Space + Recreation

Carlsbad began providing general park services following its incorporation in 1952, albeit initially on an all-volunteer basis. The genesis traces to the work of a volunteer group called the Park, Beach, and Recreational Commission that coordinated with the new City administrators and was instrumental in developing the early framework for what would

From Humble Beginnings...

Carlsbad's park, open space, and recreation services began modestly with the help of an all-volunteer group to open its first public park in 1954. Carlsbad's offerings have evolved to a comprehensive 432-acre system that includes structured recreation and maintained open space uses.

[67] LAFCO estimates the five-year average population within the City of Carlsbad at 114,384.
[68] Class information – including attendance – for 2019 covered only one-half of the year. For purposes of this report, LAFCO staff believes it is reasonable to assume an equal level of classes and participants to produce full year

become the Parks and Recreation Department in 1954. The transition to a formal City department was marked by the concurrent acquisition that same year of Carlsbad's first community park – Holiday Park. Momentum thereafter has led to a total of 14 community parks as well as 28 special use sites (typically consistent with neighborhood parks or pocket parks within subdivisions) with a combined acreage of 432.4 acres at the end of the report period in 2023. These core class amenities are detailed below.

City of Carlsbad:

Parks + Recreation Function |
Parks , Open Space + Recreation Class: Parks + Special Use Areas
Table A - 5.3e | Source: City of Carlsbad + SD LAFCO

COMMUNITY PARKS 14

Small (Under 10 ac) | Medium (10–25 ac) | Large (25+ ac)

Park	Acres	Play Area	Basketball	Restrooms	Parking
Veterans Memorial Park	93.7	●	●	●	●
Alga Norte Community Park	32.1	●	●	●	●
Stagecoach Community Park	28.5	●	●	●	●
Hidden Canyon Community Park	22.0	●	●	●	●
Calavera Hills Community Park	17.1	●	●	●	●
Zone Community Park	8.8	●		●	●
Pine Community Park	8.5	●		●	●
Holiday Park	7.5	●		●	●
Carlsbad Village Community Park	6.7	●		●	●
Oak Park	6.2				
Arroyo Vista Elementary	4.7	●	●	●	●
El Fuerte Park	4.7	●	●	●	●
Calavera Park	3.0				
Buena Vista Reservoir Park	2.5	●			
Pine Community Park (Annex)	0.8				

SPECIAL USE AREAS 28

Site Name	Acres	Play Area	Basketball	Restrooms	Parking
Leo Carrillo Ranch Historic Park	27.4				
La Costa Canyon Park	14.7	●	●	●	●
Agua Hedionda Lagoon Trail	4.2				
Magnolia Elementary	4.0	●			
Carlsbad High School	3.4				●
Carlsbad State Park	3.4				●
Batiquitos Lagoon Nature Center	2.7			●	●
Monroe Elementary	2.7		●	●	●
Buena Vista Elementary	2.5		●		
La Costa Heights Elementary	2.5	●	●		
Magee Park	2.1				
Cannon Park	1.7	●			
Las Colonias Park	1.0				
Maxton Brown Park	0.9	●			
Calavera Hills Trailhead	0.4				
Subtotal (15 Visible Sites)	73.6				

Combined Portfolio	42 TOTAL SITES	432.4 TOTAL ACRES	14 COMMUNITY PARKS	28 SPECIAL USE AREAS

Illustration Created with Anthropic

While adding to parklands, Carlsbad has also diversified its portfolio beginning in the 1980s to increasingly include open space and structured recreational services – ranging from community centers to specialized recreation activities and more recently an 18-hole municipal golf course. These relatively new class features are summarized below.

- Carlsbad operates five **community centers** that collectively provide a range of social engagement services for residents with one specifically dedicated to continuum of care (activities, nutrition, etc.) for senior residents. Baseline center services include providing meeting and forum spaces, hosting educational classes, and serving as alternative sites to make services available outside of traditional City offices. Center-specific amenities expand to include gymnasiums, fitness rooms, and auditoriums.

- Carlsbad operates one **municipal golf course** – Crossings. This 18-hole course opened in 2007 and hosts major professional tournaments and in doing so has earned the label "championship course." It includes 206.8 acres of habitat preserve along with 196 acres of golf course. Carlsbad residents are eligible for a discounted rate and can reserve times up to 30 days out.

- Carlsbad operates two dedicated **skateparks**: the Carlsbad Skatepark located adjacent to Fire Station No. 5 and the Alga Norte Skatepark. The latter opened in late 2013, spans approximately 0.6 acres, and was reportedly the largest skatepark in San Diego County at the time of its opening.

- Carlsbad operates a **trail system** providing hikers and cyclists with nearly 67 miles of trails with scenic access to Lake Calavera, Agua Hedionda Lagoon, and Rancho La Costa Preserve, among other natural areas.

Most of Carlsbad's park, open space, and recreational services operate as free-access facilities and allow residents and visitors to use them without registration, fees, or monitoring systems. Usage of reservable facilities and rental amenities is trackable and in Carlsbad ranges in intensity from reserving individual picnic tables to renting out entire auditoriums. Sports fields have remained the most popular facility to book with an average annual number

What 24k Reservations Reveal...

While most of Carlsbad's parks and open space resources remain freely accessible, the City's 24,000+ annual facility reservations show evolving community preferences – from the pandemic's disruption and recovery to new recreational realities where basketball and community gardening are winning over more attendees while tennis courts are increasingly out of favor.

totaling 8,981 each year during the five-year report period ending in 2023. The next most popular booking category involves multi-purpose rooms at Carlsbad's five community centers, which averaged 4,206 reservations each year.

City of Carlsbad:
Parks + Recreation Function |
Parks , Open Space + Recreation Class: Demands (Reservations)
Table A - 5.3f | Source: City of Carlsbad + SD LAFCO

Category	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	Average	Trend
Sports Field Rentals	4,718	9,129	6,206	12,078	12,774	8,981	+170.8%
Pool Rentals	2,610	5,767	2,677	5,645	6,605	4,661	+153.1%
Multipurpose Room Rentals	3,341	6,602	1,190	4,196	5,745	4,206	+72.0%
Historic Park Rentals	910	1,934	643	1,688	1,898	1,414	+108.6%
Outdoor Space Rentals	643	1,318	615	1,480	1,521	1,115	+136.5%
Picnic Area Rentals	428	1,153	317	1,411	1,390	940	+224.8%
Tennis Court Rentals	823	1,295	398	1,071	285	774	-65.4%
Community Garden Rentals	366	737	728	732	731	659	+99.7%
Gymnasium Rentals	265	817	553	698	825	632	+211.3%
Auditorium Rentals	457	849	52	551	786	539	+72.0%
Skatepark Rentals	N/A	N/A	71	418	213	234	New
Basketball Court Rentals	3	14	3	31	33	17	+1,000%
Total Reservations	**14,564**	**29,615**	**13,453**	**29,999**	**32,806**	**24,087**	**+125.2%**

Illustration Created with Anthropic

Drawing from the preceding table, the following summarizing observations apply regarding community demands during the report period.

- The pandemic appears to have had a dramatic impact on facility rentals with most categories experiencing sharp declines in 2021 followed by strong recoveries across the board with the exception of tennis. Auditorium and multi-purpose room rentals best illustrate this pattern – dropping to their lowest points in 2021 before rebounding to near or above pre-pandemic levels.

- Basketball court rentals showed the most significant growth in rental/reservation demand at more than 1,000% and partly attributed to Carlsbad establishing new youth basketball leagues to now cover the Spring period.

- Community garden rentals nearly doubled during the report period and track with broader interest following the pandemic in developing sustainable and self-sufficient food sources. A new community garden located in the southeastern part of the city opened in Spring 2025.

- Tennis court rentals are the notable outlier, bucking the overall growth trend with a (65.4%) decline – likely resulting from the City's general approach to offering its tennis courts on a first come, first taken basis. A portion of the community likely also transitioned toward other racquet sports - specifically pickleball.

Performance Measurements | Syncing Up Resources, Capacities, and Demands

The City of Carlsbad's parks and recreation function has measurably evolved over the last several decades, headlined by its transition from free-play parks to increasingly structured recreational programming. This evolution tracks with demographic changes and community interests beginning in the 1970s and reflected in the voter-approved initiative in 1986 reorienting City priorities toward managing growth while emphasizing quality of life. Community support for these expanded amenities is evident in sharply increasing utilization rates over the five-year report period ending in 2023 – sports field rentals more than doubled, gymnasium rentals tripled, and aquatics participation grew 64% despite pandemic-related fluctuations. Carlsbad also continues to invest in traditional unstructured play opportunities, as evidenced by the City Council's approximately $57 million commitment to the 94-acre Veterans Memorial Park project. This and other key performance measurements drawn from the report period follow.

Premium Investment in Quality of Life |

Carlsbad has demonstrated a substantial financial commitment to its parks and recreation function, with it accounting for nearly 10% of total City General Fund expenditures over the report period – a comparably significant discretionary allocation among cities that reflects the City Council's prioritization of recreational services. At the equivalent of $159 per capita in General Fund monies, Carlsbad's investment is more than four-fifths – 83% – above a national benchmark of $87 per capita for similarly size cities between 100,000 and 250,000 in population.[69]

Hitting the Mark with Expansive Recreation Menu |

Drawing from its premium investment, Carlsbad has developed a comprehensive and diverse portfolio of structured recreation facilities serving residents across age groups and activity preferences. These range from competitive aquatics at two major facilities offering nearly 1,000 annual classes to specialized amenities, including championship golf, skateparks, and five community centers with varied programming capabilities. These investments demonstrate responsiveness to evolving community interests as

[69] Reference to 2024 NRPA Agency Performance Review, Figure 15: Operating Expenditures Per Capita and Size.

evidenced by dramatic growth in basketball court rentals (over 1,000% increase), near doubling of community garden participation, and robust utilization across sports fields (8,981 annual reservations) and multi-purpose spaces (4,206 annual bookings).

Parkland Acreage: Mixed Results |

Carlsbad's provision of developed public parkland presents a more complex picture depending on the measurement standard applied. At 3.8 acres of developed parkland per 1,000 residents at the end of the report period in 2023, Carlsbad falls below (45.7%) the national benchmark of 7.0 acres per 1,000 residents for peer cities (100,000-250,000 population).[70] Local and state standards paint a different picture: Carlsbad exceeds the baseline requirement of 3.0 acres per 1,000 residents under both the City General Plan and California's Quimby Act. This gap reflects an implicit policy trade-off – Carlsbad has concentrated resources on premium structured recreation amenities rather than extensive traditional park development. This approach is further shaped by RHNA obligations that prioritize land availability for residential development and constrain opportunities to set aside additional land for conventional park uses. To partially offset these constraints, Carlsbad's development standards require private projects to incorporate on-site green space and play areas. Taken together, these factors indicate that while Carlsbad performs below certain national benchmarks, its parkland strategy reflects state mandates, local standards, and community preferences.

Joint-Use Agreements: Bringing Parks to Neighborhoods |

Carlsbad uses joint-use agreements with local public school districts to extend recreational access through 37.5 acres across 10 strategically distributed sites throughout the City. These agreements enhance Carlsbad's parkland ratio from 3.8 to 4.0 acres per 1,000 residents and help address park access gaps given these contracted sites are located in residential neighborhoods within walking/biking distance of homes – especially beneficial for families with children.

Adapting to Demographic Shifts |

The transition from tennis to pickleball illustrates how quickly recreational preferences can change. As Carlsbad's demographics continue to evolve, existing facilities will need to be monitored to ensure they continue to match with community interests. Current projects include the construction of eight new outdoor pickleball courts (in addition to the existing six pickleball courts) while retaining existing tennis courts, reflecting Carlsbad's adaptability in responding to shifting recreational preferences.

[70] Reference to 2024 NRPA Agency Performance Review, Figure 2: Acres of Parkland per 1,000 Residents.

5.4 Library & Cultural Arts Function

The City of Carlsbad's consolidated library and cultural arts function predates incorporation and traces its origins to the County of San Diego's establishment of a branch library in 1916. The first collection reportedly consisted of a small set of books housed in a corner of Simpson's Store at Ivy and First Streets. Over the following decades, the collection relocated several times within the Village area before Carlsbad assumed operations in 1956 and eventually opened its first dedicated facility in 1967 as part of an annex to the City Hall complex. This facility – later renamed the Georgina Cole Library – remains in operation and has since been joined by two others: the Carlsbad City Library on Dove Lane (1999) and the Carlsbad City Library Learning Center (2008).

110 Years and Counting: Storefront to Three-Facility System…

The City of Carlsbad's consolidated library and cultural arts function draws on an initial pre-incorporation investment by the County of San Diego in establishing the community's first public library in 1916 and now features a three-facility system serving over 425,000 annual visitors and circulating more than 1.1 million items. These services account for 7% of the City's General Fund expenditures over the five-year report period ending in 2023.

While traditionally centered on literacy and information access, Carlsbad's libraries have also evolved into community resources for cultural enrichment, offering space, programming, and partnerships to foster creative expression. Carlsbad formally expanded this role in 1986 with the creation of the Cultural Arts Office.

Cultural arts functions have reported through the City's library structure since 1985. In 2009, as part of a broader municipal reorganization during the Great Recession, the department was renamed the Library and Cultural Arts Department to more formally reflect this longstanding administrative relationship. Operational input is provided by two advisory bodies: the Library Board of Trustees and the Arts Commission. Operational input is provided by two advisory bodies: the Library Board of Trustees and the Arts Commission. The Department also coordinates activities and resources with several local non-profits, including the Friends of the Carlsbad Library. Suzanne Smithson has served as Director since 2020 and for the final four years of the report period.[71] A summary of the consolidated function's core resources, capacities, demands, and performance follows.

[71] Heather Pizzuto previously served in the position before retiring in 2020

Resources |
Budget and Staffing

Carlsbad's consolidated library and cultural arts function's primary funding source is the City General Fund. These all-purpose monies have consistently covered 98% of the Library and Cultural Arts Department's average annual actual expenses during the five-year report period ending in 2023. (A dedicated analysis of the General Fund is provided in Section 6.2.) The small remaining funds used to support the library and cultural arts function tie to special revenue funds involving endowments, donations and grants. Personnel costs during the period account for about 60% of actual expenses and support 51.0 budgeted FTEs as of the final year. The balance of actual expenses – 40% of all costs – has gone to operations with nearly half of which covers interdepartmental City charges, such as information technology services. Overall, the Library and Cultural Arts Department's actual expenses have accounted for 7% of total City General Fund expenditures over the five-year report period.

Steady Investment Continues...

The City of Carlsbad Library and Cultural Arts Department has consistently received approximately 7% to 8% of General Fund monies during the five-year report period ending in 2023. Overall, just over 98% of all funding during the report period ties to the General Fund.

City of Carlsbad:
Library and Cultural Arts Function, Budget Resources
Table A-5.4a | Source: City of Carlsbad + SD LAFCO

Categories	2019-2023 5-Year Averages
Total Budgeted Expenses	
...Average Annual	$14.044 million
...Overall Change	9.9%
...Portion Covered by General Fund	$13.483 million / 98.8%
Total Actual Expenses	
...Average Annual	$13.177 million
...Overall Change	2.2%
...Portion Covered by General Fund	$12.932 million / 98.2%
Budget Performance	
...Overall Budget to Actual Ratio	0.94

A closer review of budget-to-actual expenses shows Carlsbad's Library and Cultural Arts Department remained within City Council planning expectations in all five years of the report period ending in 2023. The overall budget to actual ratio during the period is excellent at 0.94, a variance rate of (6%), with cumulative budget savings of $4.336 million. This savings appears attributable to increasing spending discipline with actual expense growth at 2.2% compared to 9.9% growth in budgeted amounts.

Budgeted staffing for the Library and Cultural Arts Department totals 51.0 FTE at the end of the report period in 2023 – a net no change.[72] This produces a ratio with more than six out of every 100 budgeted City employees are assigned to the Library and Cultural Arts Department. (This figure does not include 61.95 budgeted hourly staff.) A breakdown of budgeted staffing across Library and Cultural Arts Department's seven active budget divisions – (a) Administration, (b) Circulation, (c) Adult and Teen Services, (d) Children Services, (e) Collections and Technical Services, (f) Outreach, Literacy and Bilingual Services, and (h) Cultural Arts – through the report period follows.

One Direction with Six Divisions…

The City of Carlsbad divides its Library and Cultural Arts Department into six active divisions at the end of the report period in 2023, with 6.0 of the 51.0 budgeted positions explicitly tasked with cultural arts activities.

City of Carlsbad:
Library and Cultural Arts Function, Budgeted Staffing Levels
Table A – 5.4b | Source: City of Carlsbad + SD LAFCO

Division	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	5-Yr Average	Growth Trend
Administration	12.0	12.0	12.0	12.0	10.0	11.6	-16.7%
Circulation	4.5	4.5	4.5	4.5	5.0	4.6	+11.1%
Adult + Teen Services: Genealogy + History	11.0	11.0	11.0	11.0	11.0	11.0	0.0%
Children Services	7.0	7.0	7.0	7.0	7.0	7.0	0.0%
Collections + Technical Services	7.0	11.0	7.0	7.0	7.0	7.8	0.0%
Outreach, Literacy + Bilingual Services	3.0	3.0	4.0	4.0	5.0	3.8	+66.7%
Cultural Arts	4.0	5.0	5.0	5.0	6.0	5.0	+50.0%
Community Relations	*2.0*	*2.0*	*2.0*	*2.0*	*0.0*	*1.6*	*-100.0%*
Total FTE	50.5	55.5	52.5	52.5	51.0	52.4	+1.0%

Illustration Created with Anthropic

[72] Carlsbad notes the Library and Cultural Arts Department had new positions approved during the report period but were later removed. The net change of 0.5 FTE reflects two 0.75 positions converting to fulltime (1.0 FTE each). One position was added in 2020 to support the Arts and Culture Master Plan and two positions were administratively transferred to the City IT budget in 2023.

Capacities and Demands |
Facilities, Programing + More

Carlsbad's library and cultural arts services are primarily delivered out of three dedicated facilities totaling nearly 100,000 square feet. The largest is the Carlsbad City Library on Dove Lane – often referred to as the "Dove Library" – which opened in September 1999 after an estimated $22 million construction investment. At approximately 64,000 square feet, the Dove Library serves a dual role as both a library and cultural arts venue. Its cultural arts features include the William D. Cannon Art Gallery, an approximate 2,000-square-foot space hosting traveling national exhibitions and local artists, and the Ruby G. Shulman Auditorium, a 215-seat venue used for plays, lectures, musical performances, and other community events.

100k Square Feet Across Three Facilities...

The City of Carlsbad's consolidated library and cultural arts function operates out of three dedicated facilities totaling nearly 100k square feet. The Dove Library anchors the system and serves a dual role as the largest branch and primary cultural arts venue featuring a 2,000-square foot art gallery and 215-seat auditorium.

The Dove Library is joined by two other facilities – the Georgina Cole Library and the Library Learning Center – in circulating approximately 1.0 million physical materials annually, including books, magazines, and digital and compact disc media. The Georgina Cole Library is the oldest of the three facilities, built in 1967 at approximately 24,600 square feet and most recently refurbished in 2015. The Library Learning Center is the newest, having opened in August 2008 following a $6.1 million construction investment. It is approximately 11,400 square feet in size and houses Carlsbad's bilingual library services and adult literacy program.

All three facilities support digital access by providing complimentary Wi-Fi as well as access to computers and printers. The facilities also offer private study rooms and meeting space rentals. All services are available free of charge to library cardholders. Cardholders are also not charged late fees provided items are returned; lost items are billed.

City of Carlsbad:

Library and Cultural Arts Function, Core Facilities + Capacities

Table A - 5.4c | Source: City of Carlsbad + SD LAFCO

Carlsbad City Library on Dove Lane — 64,000 sq ft

Library and Cultural Arts
1775 Dove Lane • Opened 1999

PRIMARY FUNCTION	CAPACITY
Full-service library with integrated cultural arts programming	Dual-use library and cultural arts venue; largest in the system

Special Features

- William D. Cannon Art Gallery
- Ruby G. Schulman Auditorium
- Friends of the Library Bookstore
- On-site Cafe

Georgina Cole Library — 24,600 sq ft

Library Only
1250 Carlsbad Village Drive • Opened 1967

PRIMARY FUNCTION	CAPACITY
Traditional library services with historical focus	Refurbished 2015; oldest facility in the system

Special Features

- Carlsbad History Collection
- Genealogy Collection
- Friends of the Library Bookstore

Carlsbad City Library Learning Center — 11,400 sq ft

Library and Educational Programming
3368 Eureka Place • Opened 2008

PRIMARY FUNCTION	CAPACITY
Specialized educational programming and literacy services	Houses bilingual services and adult literacy program

Special Features

- Spanish, English & bilingual collections for all ages
- Adult literacy tutoring programs
- Family literacy services

Current Operating Hours as of May 2026 (All Facilities): Mon–Thu 9 a.m.–7 p.m. | Fri–Sat 9 a.m.–5 p.m. | Sunday 1 p.m.–5 p.m.

Illustration Created with Anthropic

Additional capacity features include the following.[73]

- Dove and Cole Libraries include year-round programs featuring adult and teen book clubs along with early literacy initiatives for children.
- Cole Library provides genealogy research support to help residents explore their family history and lineage.
- Library Learning Center provides online high school support, literacy instruction, and support to enable residents to earn an accredited high school diploma.

The Library and Cultural Arts Department coordinates with other City Departments and local non-profit organizations in providing year-round and seasonal community art and engagement events including TGIF Concerts in the Parks.

[73] After fully closing libraries to the public in March 2020, the City has progressively restored open hours including restoring Sunday open hours (1:00 p.m.- 5:00 p.m.) in May 2025.

With respect to demands, Carlsbad actively tracks usage of its library and associated cultural arts function as part of its annual reporting obligation to the California State Library. This data reveals substantive pattern changes in library usage during the five-year report period ending in 2023. Most notably, library visits show a dramatic shift pre- and post-pandemic with nearly 670,000 visits to Carlsbad's three library facilities in 2019. Visitor numbers dropped to a low of 20,214 in 2021 before rebounding – though not completely – to 426,470 in 2023; a net decline of (36.3%). This trend appears to be linked to reductions in library operating hours and indicates that although residents are returning to physical library spaces, in-person usage has shifted, with Carlsbad's library facilities currently operating at two-thirds of pre-pandemic foot traffic. These and other demand features are shown in the following table.

Embracing the Digital Visit…

The City of Carlsbad's libraries are serving roughly the same checkout demand with significantly fewer people walking through the doors – a shift from about 1.7 items per visit pre-pandemic to nearly 2.6 items per visit now. The pattern suggests residents have embraced digital borrowing and are making more purposeful physical visits.

City of Carlsbad:
Library and Cultural Arts Function, User Demands
Table A – 5.4d | Source: California State Library + SD LAFCO

Usage Category	FY2019	FY2020	FY2021	FY2022	FY2023	5-Yr Avg	Trend
Library Visits (all walk-ins)	668,973	479,358	20,214	363,803	426,470	391,764	-36.3%
Total Annual Circulation	1,153,037	936,797	529,929	1,008,522	1,118,282	949,313	-3.0%
Physical Item Circulation	1,030,981	786,543	316,257	832,784	893,202	771,953	-13.4%
Circulation of E-Materials	122,056	150,254	213,672	175,738	225,080	177,360	+84.4%
Total Print Materials	256,531	253,724	259,075	253,356	234,538	251,445	-8.6%
Total E-Books	15,407	15,759	16,834	18,843	47,634	22,895	+209.2%
Total Audio Materials	29,448	27,613	26,678	24,864	19,843	25,689	-32.6%
Total Video Materials	16,188	14,990	15,614	15,517	7,210	13,904	-55.5%
Public Internet Computer Uses	93,633	65,611	4,825	22,029	31,962	43,612	-65.9%
Wi-Fi Logins	138,691	121,316	43,443	94,311	115,673	102,687	-16.6%
Virtual Visits to Website	492,157	570,897	450,761	388,153	445,443	469,482	-9.5%
Number of Internet Terminals	125	125	28	122	103	101	-17.6%

+209.2%	2.6	-65.9%	63.7%
E-Book Collection Growth	Items per Visit (FY2023)	Computer Usage Decline	Physical Visit Recovery (of Pre-Pandemic)

Illustration Created with Anthropic

Other notable trends in tracked usage drawn from the preceding table include:

- While foot traffic showed a measurable decline, the overall checkout demand has been steady, falling by only (3.0%) from 1.153 million in 2019 to 1.118 million in 2023.

- A substantive shift in patron usage appears to underlie checkout demands during the report period, signaling a new consumer pattern with physical checkouts declining by (13.4%) while electronic checkouts increased 84.4%.

- Public computer usage has declined by (65.9%) from 93,633 sessions in 2019 to 31,962 sessions in 2023, likely reflecting reduced library operating hours and increased access to personal devices and home internet following the pandemic.

- Wi-Fi usage has decreased more moderately at (16.6%) from 138,691 guest logins in 2019 to 115,673 in 2023. The smaller decline in Wi-Fi usage suggests visitors continue to rely on library Wi-Fi but are increasingly using their own devices.

Performance Measurements |
Syncing Up Resources, Capacities, and Demands

The City of Carlsbad's library and cultural arts function faces distinct vulnerabilities to external forces that largely extend well beyond typical management controls. Unlike core municipal services such as fire protection, wastewater, parks and recreation – where demand is relatively stable and change occurs gradually – libraries and cultural arts have the challenge of adjusting to potentially rapid shifts in behaviors and technologies. These pressures span a wide spectrum from evolving reading habits and entertainment preferences to major disruptions, such as evidenced during the report period –pandemic-driven social distancing. With this in mind, Carlsbad has demonstrated considerable adaptability during the five-year report period ending in 2023. Most notably, Carlsbad has more than tripled its e-book collection from 15,407 to 47,634 titles. This investment proved timely, enabling the library system to meet changing user needs as e-material circulation surged by 84.4% even as physical checkouts fell by (13.4%). As a result, and despite a (36.3%) decline in on-site visits, Carlsbad's libraries and cultural arts programming remains highly consequential to residents as evident by total circulation declining by only (3.0%). This and other tangible performance measurements follow.

Steady Funding + Reciprocity |
Carlsbad demonstrates steady financial commitment to its library and cultural arts function by consistently allocating 7-8% of total City General Fund expenditures each year during the five-year report period ending in 2023. This stable funding base is

especially important given that nearly all Library and Cultural Arts Department expenditures are supported by the General Fund, supplemented by approximately $200,000 annually in donations from support organizations and about $45,000 in state literacy grants. Management has reciprocated this steady funding with cumulative budget savings of $4.336 million over the report period.

Focusing on Information Connector Role |

Carlsbad has been successfully evolving from a traditional information provider to a broader community connector by strategically expanding its e-book collection while maintaining robust cultural programming through integrated gallery spaces, auditorium events, and year-round community engagement initiatives. Despite a one-third decline in physical visits and a reduction of hours during the five-year report period ending in 2023, the libraries have maintained nearly identical circulation levels by adapting service delivery to meet users both digitally and physically – fostering connections between people, technology, and community resources in real time.

Rightsizing Digital Access |

Carlsbad has strategically reallocated technology resources during the five-year report period ending in 2023, modestly reducing public computer terminals by nearly one-fifth even as usage dropped by two-thirds – all the while maintaining Wi-Fi infrastructure to support the relatively consistent demand from visitors bringing personal devices.

Digital Expansion and Continued Physical Engagement |

During the five-year report period ending in 2023, usage of digital library services in Carlsbad has increased exponentially, while the size and usage of the physical collection have remained consistent. Circulation of physical items per open hour in 2023 continues to exceed circulation per open hour in 2019, demonstrating that the libraries remain heavily used community resources for both digital and traditional services.[74]

[74] The City of Carlsbad maintains an existing performance measurement specific to providing no less than 800 square feet of library space for every 1,000 residents. At the end of report period, the actual ratio equals 857 square feet for every 1,000 residents.

5.5 Community Development Function

The City of Carlsbad's community development function represents a foundational municipal responsibility assumed from the County of San Diego upon incorporation in 1952 when the City inherited authority over land use regulation and related services. This function initially operated under carryover County ordinances and zoning codes, providing regulatory continuity while the City embarked on the multi-year process of crafting Carlsbad-specific planning policies — a gradual transition from inherited to independent governance culminating in the adoption of the first City General Plan in August 1965. The current General Plan, seven years in the making before its 2015 adoption, continues more recent efforts to transition away from growth facilitation to growth management: emphasizing infill development, beach preservation, and "community character." This growth management framework now operates within an increasingly complex regulatory environment as state housing mandates test the balance between local control and regional obligations.

One Function, Two Departments, + Five Classes…

The City of Carlsbad's community development function spans two departments – Community Development and Housing & Homeless Services – and is categorized into five service classes: planning, building, land development engineering, code enforcement, and housing assistance. The function has accounted for 6% of annual General Fund expenditures over the five-year report period ending in 2023.

Carlsbad's community development function presently spans two organizational units — principally the Community Development Department and select programs within the Housing and Homeless Services Department – collectively delivering five service classes: (a) planning, (b) building, (c) land development engineering, (d) code enforcement, and (e) housing. The primary service agent - Community Development Department - has undergone strategic reorganization to enhance service delivery, most notably in 2022 when building and code enforcement separated into standalone divisions to improve specialization and responsiveness. The Department coordinates with multiple advisory bodies, including the Planning Commission, which the Department staff. Jeff Murphy served as Director of Community Development from January 2020 through the end of the five-year report period in 2023, overseeing four of the five service classes. Murphy has since been promoted to Deputy City Manager, Community Services, effective January 2026.[75] The Housing and Homeless Services Department was created in July 2021 out of the Community Development

[75] The previous Community Development Director – Debbie Fountain – served between 2018 to 2019.

Department and coincided with the appointment of the current director, Amanda Mills. A summary of the functions' core resources, capacities, demands, and performance follows

Resources |
Budget and Staffing

The City of Carlsbad's community development function and its five service classes – planning, building, land development engineering, code enforcement, and housing – have undergone significant restructuring during the five-year report period ending in 2023. The restructuring split operations between two departments while raising overall funding levels and associated resources. Pre-reorganization (2019 to 2021), the unified cost under the Community Development Department for all five classes averaged $23.3 million annually and funded roughly equally between the General Fund and Special Revenue Fund, the latter including grants (federal and state), donations, and impact fees. Following reorganization (2022 to 2023), the combined costs covering the five classes has grown to an annual average of $27.8 million – a 19.6% increase – with $10.8 million going to Community Development and $17.0 million going to Housing and Homeless Services.

Strategic Split…

The City of Carlsbad reorganized its community development function in 2022, creating a stand-alone Housing and Homeless Services Department to oversee the housing class while planning, building, land development engineering, and code enforcement classes remain within the Community Development Department. The reorganization serves to clarify responsibilities and elevate visibility around housing issues and has been accompanied by an overall funding increase of nearly 20% for the combined function. The combined community development function accounts for 6% of total General Fund expenditures over the five-year report period ending in 2023.

Personnel costs across the two departments reflect distinctly different operating models. The Community Development Department's labor share has averaged approximately 41% of actual expenditures pre-reorganization (2019 to 2021), rising to approximately 68% post-reorganization (2022 to 2023) – a shift driven by the transfer away of grant-funded housing programs. The Housing and Homeless Services Department, by contrast, operates primarily as a pass-through for federal and state grant funding, with personnel costs accounting for approximately 10% of total expenditures since its standalone status (2022-2023). Combined, personnel costs across both departments have averaged approximately 35 to 40% of total actual expenditures over the report period. A summary of budgeted to actual expenses for the combined function follows.

City of Carlsbad:
Community Development Function, Budget Resources
Table A-5.5a | Source: City of Carlsbad + SD LAFCO

Categories	2019-2023 5-Year Averages
Total Budgeted Expenses	
…Average Annual	$24.051 million
…Overall Change	27.0%
…Portion Covered by General Fund	48.6%
Total Actual Expenses	
…Average Annual	$25.086 million
…Overall Change	39.8%
…Portion Covered by General Fund	$11.827/ 46.4%
Budget Performance	
…Overall Budget to Actual Ratio	1.04

A closer review of budget-to-actual expenses shows that Carlsbad's community development function has exceeded budgeted amounts in three of the five years during the report period ending in 2023. The overall budget-to-actual ratio during the period is 1.04, or a variance of 4%, with cumulative actuals outpacing budgeted amounts by approximately $5.175 million. When separated post-reorganization (2022 to 2023), Community Development generated a 1.04 ratio while Housing and Homeless Services posted 1.03 – suggesting the variance crosses both departments and their service activities at relatively equal proportions.

Budgeted staffing for the community development function totals 68.0 FTE at the end of the report period in 2023 – a net change of 5.25 positions, or 8.4% over 2019. The staffing changes reflect the 2022 reorganization establishing the Housing and Homeless Services Department as a standalone unit with 16.0 FTEs, while also establishing code enforcement as its own division with 4.0 dedicated positions beginning in 2022. Overall, slightly more than seven out of every 100 budgeted City employees are assigned to the community development function across both departments. (This figure does not include 10.8 budgeted hourly staff.) A breakdown of budgeted staffing across the community development function across its two departments – Community Development and Housing and Homeless Services –through the report period follows.

City of Carlsbad:
Community Development Function, Budgeted Staffing
Table A - 5.5b | Source: City of Carlsbad + SD LAFCO

Division	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	5-Yr Avg	Growth Trend
Community Development Department							
Administration	7.0	7.0	6.45	7.0	7.0	6.9	0.0%
Planning	20.0	20.0	20.0	20.0	20.0	20.0	0.0%
Building	10.0	10.0	15.0	10.0	10.0	11.0	0.0%
Land Development + Engineering	10.75	11.75	11.0	11.0	11.0	11.1	+2.3%
Code Enforcement*	—	—	—	5.0	4.0	4.5	-20.0%
Other/Miscellaneous	15.0	15.0	9.3	0.0	0.0	7.9	-100.0%
Subtotal Community Development	62.75	63.75	61.75	53.0	52.0	57.5	-17.1%
Housing & Homeless Services Department							
Housing Services	—	—	—	5.17	5.17**	5.2	N/A
Homeless Services	—	—	—	4.0	4.0**	4.0	N/A
Affordable Housing Programs	—	—	—	0.8	0.8**	0.8	N/A
Federal Assistance Programs	—	—	—	6.03	6.03**	6.0	N/A
Subtotal Housing & Homeless	—	—	—	16.0	16.0	16.0	N/A
Department Reorganization Implemented in FY2022							
Total FTE	62.75	63.75	61.75	69.0	68.0	65.1	+8.4%

*Code Enforcement separated from Building Division in FY2022
**FY2023 Housing & Homeless Services detail divisions maintained at FY2022 levels for illustration

Illustration Created with Anthropic

Capacities and Demands |
Planning, Building, , Code Enforcement, Engineering + Housing

This report organizes the evaluation of the City of Carlsbad's community development function by service class – planning, building, code enforcement, engineering, and housing. The evaluation is structured to account for core facilities and their respective capacities with an emphasis on public-facing components and relationship to Carlsbad's growth management goals. Demands are also evaluated when applicable.

Planning

Carlsbad's planning class activities are responsible for maintaining and updating the City's comprehensive land-use regulatory framework – including the General Plan, Local Coastal Program, and Zoning Ordinance. Activities are organized under the Planning Division and include the following core tasks:

County Maps to Coastal Plans...

Carlsbad's planning activities have evolved from inheriting County of San Diego zoning maps in 1952 to implementing regulations and policies established by the City Council. Core capacities tie to staffing levels, which have stayed flat at 20 FTE through the five-year report period ending in 2023.

long-range planning consistent with City Council direction and state mandates; current development review to ensure compliance with adopted regulations, including California Environmental Quality Act (CEQA) requirements; and technical support to the Planning Commission and City Council.[76] Major planning activities reported by Carlsbad during the five-year report period ending in 2023 are as follows.

- Completed and secured approval of the Village and Barrio Master Plan following extensive public engagement and California Coastal Commission review.
- Finalized a comprehensive update to the Local Coastal Program Land Use Plan, addressing sea-level rise and coastal resource protection.
- Adopted the 2021–2029 Housing Element, achieving state Department of Housing and Community Development (HCD) certification.
- Adopted Citywide Objective Design Standards for multifamily and mixed-use development to provide clear, consistent, and streamlined design review criteria for infill and housing projects.
- Updated the Wireless Communications Facilities Policy to reflect evolving telecommunications infrastructure needs.
- Updated the Inclusionary Housing Ordinance and recalibrated the in-lieu fee structure to align with current market conditions.
- Established the Mills Act Program in 2022 as an economic incentive tool to encourage preservation and rehabilitation of qualified historic properties through voluntary property tax reductions in exchange for long-term maintenance commitments.
- Deployed a customer self-service portal for online submission for Planning Sign Permits, which continues to be expanded for other plan types.

[76] The Planning Division is allocated with 20.0 FTE budgeted positions at the end of the five-year report period in 2023 – equal to 38% of total staffing within the Community Development Department. The average annual yearly expense has been $3.44 million with the portion coming from the General Fund translating to a per capita cost of $29.55.

Planning applications represent a direct intersection between Carlsbad and the public's development aspirations and municipal regulatory authority – ranging in scale from a homeowner adding an accessory dwelling unit to a developer proposing a subdivision. Overall, planning application submittals have averaged 156 each year during the five-year report period ending in 2023 with a point-to-point increase of 42%. Application types show a notable shift in Carlsbad's development patterns: traditional subdivision maps declined by (86%), from seven to just one, while discretionary permits jumped nearly 50% from 128 to 178 with the latter typically requiring higher administrative processing burdens. A listing of application type and volume over the report period follows.

Infill Demands…

Over the five-year report period ending in 2023, planning applications in Carlsbad have increased 42%, reflecting steady growth in community investment and development interest. Also of note: a major shift underlies application patterns – sharp pivot away from traditional subdivisions and a significant increase in discretionary permits. This pattern – among other items – illuminates a transition from greenfield expansion to infill development.

City of Carlsbad:
Community Development Function, Planning Applications (Demands)
Table A – 5.5c | Source: City of Carlsbad + SD LAFCO

Category	FY2019	FY2020	FY2021	FY2022	FY2023	5-Yr Avg	Trend
Discretionary Applications Received							
General Plan Amendments	1	1	2	1	1	1.2	0.0%
Zoning Changes	0	1	2	2	2	1.4	New
Subdivision Maps	7	6	3	3	1	4.0	-85.7%
Other Discretionary Permits*	120	128	145	178	178	149.8	+48.3%
Total Applications Received	128	136	152	184	182	156.4	+42.2%
Processing Actions							
Applications Approved	102	109	115	134	123	116.6	+20.6%
Applications Denied	0	3	0	0	0	0.6	N/A
Application-to-Action Ratio	*1.25:1*	*1.21:1*	*1.32:1*	*1.37:1*	*1.48:1*	*1.33:1*	+17.9%

*Other Discretionary Permits includes Conditional Use Permits, Site Development Plans, Variances, Coastal Development Permits, ADU applications requiring planning review, and other permits requiring discretionary approval.

Illustration Created with Anthropic

Building

Carlsbad's building class activities are now organized as a stand-alone division within the Community Development Department following a reorganization to separate it from code enforcement beginning in 2020. The Building Division serves as the main point of contact for landowners seeking to build or modify structures in Carlsbad while complying with state and local construction standards. Core responsibilities encompass providing guidance to applicants, plan review and permit issuance for all construction projects, fee assessment, and field inspections to ensure contractor work aligns with approved plans — all while enforcing critical safety standards including seismic requirements, energy efficiency measures, stormwater management provisions, and construction waste recycling mandates.[77] Major building activities reported by Carlsbad during the five-year report period ending in 2023 are as follows.

Permission Business...

Carlsbad's building activities have evolved from straightforward residential permits since incorporation in 1952 to enforcing more complex and multi-code compliance spanning seismic, energy, and environmental standards. Core capacities remain anchored at 10.0 FTE throughout the five-year report period.

- Updated construction waste management forms to align with state-mandated waste diversion requirments.
- Deployed a customer self-service portal for online submission of basic building permits, which continues to be expanded for other permit types.
- Implemented an Accessory Dwelling Unit (ADU) Permit Ready Program in Spring 2023 to streamline residential ADU approvals through standardized plans and expedited review processes.
- Continued migration of historical building records into digital archive for improved public access.
- Implemented virtual inspection processes for contractors installing residential solar systems.
- Implemented a self-certification inspection program allowing qualified professionals to verify minor improvements.

[77] The Building Division is allocated with 10.0 FTE budgeted positions at the end of the five-year report period – equal to 19% of total staffing within the Community Development Department. The average annual expense has been $1.99 million with the portion coming from the General Fund translating to a per capita cost of $17.09.

Building permits provide a view on construction activity and private investment in Carlsbad's built environment – each one representing a property owner's decision to improve, expand, or redevelop property. Overall, building permit issuances have averaged 4,556 each year during the five-year report period ending in 2023 with a point-to-point increase of 13%. Construction valuation fluctuated sharply – from a high of $252.9 million in 2019, dropping to $132.9 million during the pandemic in 2021, before rebounding to a new high of $289.1 million in 2023. Permit activity also reveals shifts in Carlsbad's construction landscape, mirroring trends in planning applications. Residential permits have climbed 22% while commercial permits declined (41%). A listing of permit issuances by type and value follows.

Residential Permits Up: Modifying, Improving + Adding...

Over the five-year report period ending in 2023, Carlsbad has processed nearly 23,000 building permits – an average of about 4,500 per year – reflecting steady and increasing investment by landowners in their Carlsbad properties. The growth has swung sharply towards residential activity, with residential permits climbing 22% while commercial permits have declined by (41%).

City of Carlsbad:
Community Development Function, Building Permits (Demands)
Table A – 5.5d | Source: City of Carlsbad + SD LAFCO

Category	FY2019	FY2020	FY2021	FY2022	FY2023	5-Yr Avg	Trend
Permits by Type							
Residential Permits	3,844	3,499	3,880	4,446	4,702	4,074	+22.3%
Commercial Permits	628	546	419	400	368	472	-41.4%
Total Permits Issued	4,472	4,045	4,299	4,846	5,070	4,546	+13.4%
Construction Valuation							
Total Valuation (Millions)	$252.9	$229.8	$132.9	$188.3	$289.1	$218.6	+14.3%
Average Value per Permit	$56,565	$56,817	$30,915	$38,856	$57,041	$48,067	+0.8%
Workload Indicators							
Permits per Inspector (10 FTE)	447	405	430	485	507	455	+13.4%

Illustration Created with Anthropic

Code Enforcement

Carlsbad's code enforcement activities have evolved considerably during the five-year report period, transitioning from a unit within the Housing Services Division to the Building Division in 2020, before establishing itself as a stand-alone division within the Community Development Department in 2022. This organizational evolution ties to a growing recognition of code compliance as a specialized service activity. Core responsibilities encompass enforcing zoning, building, and property maintenance codes; investigating resident and business complaints; educating property owners on compliance requirements; and coordinating with other enforcement agencies.[78] As a newly established standalone division, Code Enforcement is in the early stages of building its operational framework. Major code enforcement activities that have been reported to date by Carlsbad are as follows.

Complaints to Compliance...

Carlsbad's code enforcement activities have progressed to a dedicated division responsible for comprehensive zoning, building, and property maintenance compliance. Core capacities are anchored to 4.0 FTE budgeted positions at the end of the five-year report period.

- Developed a code enforcement case prioritization and process guide to standardize response protocols and ensure consistent enforcement.
- Implemented an online tracking system for case processing timelines and code violations.
- Launched the State Mobile Home Park Inspection Program in partnership with California Department of Housing and Community Development.

Code enforcement cases reflect where community standards and individual decisions intersect – typically involving concerns about property appearances, unpermitted activities, or quality-of-life issues (sounds, smells, etc.) Overall, case openings have averaged 1,445 each year during the five-year report period ending in 2023 with a point-to-point increase of 47%. Case closures have also grown but at a slower pace of 14%, resulting in the opening-to-closure ratio shifting from 0.8-to-1.0 in 2019 to slightly

[78] The Code Enforcement Division is allocated with 4.0 FTE budgeted positions at the end of the five-year report period – equal to 8% of total staffing within the Community Development Department. The average annual expense has been $724,000 with the portion coming from the General Fund translating to a per capita cost of $6.22.

over the breakeven line at 1.03-to-1.0. However, given the 47% increase in case volume against a flat four-person staffing base, workload pressures could impact future response times if demand continues to grow.

City of Carlsbad:
Community Development Function, Code Enforcement (Demands)
Table A – 5.5e | Source: City of Carlsbad + SD LAFCO

Category	2019	2020	2021	2022	2023	5-Yr Avg	Trend
Cases Opened	1,244	1,422	1,288	1,440	1,829	1,445	+47.0%
Cases Closed	1,559	1,393	1,280	1,622	1,774	1,526	+13.8%
Opening:Closure Ratio	*0.80:1*	*1.02:1*	*1.01:1*	*0.89:1*	*1.03:1*	***0.95:1***	*+28.7%*

Illustration Created with Anthropic

Engineering

Carlsbad's engineering services are housed in the Land Development Engineering Division within the Community Development Department. The Division focuses on ensuring that all grading, public improvements, and work within the public right-of-way and other public spaces – including City buildings - meet applicable state and local codes. Core responsibilities include reviewing and processing subdivision maps, plan checking and permitting for grading and infrastructure projects, administering floodplain regulations, conducting transportation impact analyses under CEQA, and providing technical assistance.[79] Major engineering activities reported by Carlsbad during the five-year report period ending in 2023 follow.

Approval to Construction…

Carlsbad's Land Development Engineering Division is where development inquiries become concrete – bridging the gap between approval and physical construction. Core engineering class capacities tie to staffing levels, which finished the five-year report period ending in 2023 with 11 FTE.

- Transitioned from printed mylars to digital submission processes for both plan submittals and right-of-way permit applications.

[79] The Land Development Engineering Division is allocated with 11.0 FTE budgeted positions at the end of the five-year report period – equal to 21% of total staffing within the Community Development Department. The average annual yearly expense has been $2.13 million with the portion coming from the General Fund translating to a per capita cost of $18.29.

- Launched a customer self-service portal to enable online processing of temporary water meter permits, which continues to be expanded for other permit types.

- Established vehicle miles traveled (VMT) evaluation policies to comply with CEQA requirements along with creating an interactive public VMT map.

- Developed a transportation demand management program to reduce single-occupancy vehicle use by promoting alternative transportation, including walking, biking, public transit, and ride sharing.

Assessing demand on municipal engineering services centers mostly on two public-facing measurements: the volume of engineering permits issued and the volume of plan reviews processed. The former captures direct permitting activity - grading, public improvements, and right-of-way work – while the latter reflects the technical oversight role in evaluating construction projects for code compliance. As for actuals, the average number of engineering permits issued by Carlsbad during the five-year report period has been 1,207 with a point-to-point change of (8%) from 1,200 in 2019 to 1,102 in 2023 – a dip that appears consistent with the City's broader shift from large-scale greenfield development to smaller infill projects. In contrast, ministerial and discretionary permit reviews have experienced a considerable jump of 340% over the same period – from 640 building permit reviews in 2019 to 2,817 in 2023. The widening gap between declining permit issuances and escalating review obligations appears to highlight a material shift in workload – one that increasingly centers on technical oversight rather than direct permitting. A listing of technical reviews permits issued, and more traditional subdivision work activities (landscape plans and grading permits) by type and value follows.

From Issuing to Advising…

Carlsbad's engineering services appear to be shifting from primarily issuing permits to providing technical reviews. While direct permit issuance declined over the five-year report period, review obligations quadrupled - going from a weekly average of 12 in 2019 to 54 in 2023.

City of Carlsbad:
Community Development Function, Engineering (Demands)
Table A – 5.5f | Source: City of Carlsbad + SD LAFCO

Category	2019	2020	2021	2022	2023	Change
Technical Reviews	640	1,230	2,225	2,059	2,817	+340%
Permits Issued	1,200	1,400	1,200	1,131	1,102	-8%
Landscape Plans	34	24	31	30	25	-26%
Grading Permits	46	38	51	50	44	-4%
Combined Traditional	**80**	**62**	**82**	**80**	**69**	-14%

Illustration Created with Anthropic

Housing

Carlsbad's housing services have experienced the most significant organizational change among all community development class functions during the five-year report period ending in 2023. Beginning the period as a single division within Community Development, it expanded into a stand-alone Housing and Homeless Services Department in FY2022, marking the City Council's decision to make homelessness reduction a core strategic priority. This organizational shift was further formalized with the City Council's adoption of the Homelessness Action Plan in February 2023, which established a coordinated framework for prevention, outreach, sheltering, housing navigation, and interagency response efforts.[80] The Department comprises three specialized divisions: Homeless Services (prevention, outreach and intervention), Housing Services (trust fund administration, community programs, and federal/state grant management), and Housing

From Division to Department...

Carlsbad's housing function hit a maturation milestone during the five-year report period ending in 2023, transitioning from a single division within Community Development to a full-scale Housing and Homeless Services Department. The new department consolidates homeless outreach, affordable housing programs, and federal housing assistance under one coordinated structure with 16.0 budgeted FTEs.

[80] City of Carlsbad Homelessness Action Plan (February 2023).

Assistance (management of federal Section 8 vouchers).[81] Major housing class activities reported during the report period follow:

- Scaled homeless outreach from zero dedicated services in 2019 to engaging 749 unduplicated individuals by 2023, transitioning 62 into permanent housing.
- Facilitated 419 affordable dwelling units through the development pipeline, leveraging $13.4 million in trust fund commitments.
- Implemented the Affordable Housing Resale Program, acquiring and reselling 15 units to income-qualified buyers.
- Distributed $3.2 million in community development block grant funding to nonprofit providers, reaching 1,215 low-income residents annually.

Housing services have largely operated in the background of municipal government. This dynamic has been shifting as affordability challenges increasingly affect a broader cross-section of residents, pushing cities like Carlsbad to elevate housing and related safety net programs to a more prominent position. Demand trends highlight the increasing pressure on Carlsbad's affordability programs as local market conditions continue to outpace available public resources. This pressure is evident in the widening gap between Housing Choice Voucher assistance and prevailing rents. While the number of households participating declined slightly during the five-year report period – by about (2%) from 524 in 2019 to 513 in 2023 – the average monthly subsidy rose 26% from $1,061 to $1,340, meaning taxpayers are spending significantly more per household to maintain the same level of housing support.

Paying More for the Same Help…

The math behind Carlsbad's housing assistance tells a challenging dynamic: nearly the same number of households are served, but the public now spends one-quarter more to keep them housed. Rising rents and a long-closed waiting list shows the widening gap between local affordability needs and the federal resources meant to meet them.

[81] The Department is allocated 16 FTE budgeted positions at the end of the five-year report period. The average annual expense post-reorganization has been $16.6 million with 73% derived from Special Revenue Funds – primarily federal Community Development Block Grants and Housing Choice Vouchers – translating to a General Fund per capita cost of approximately $39.

The Section 8 waiting list provides another measure where demands exceed capacities: after being closed to new applicants for nearly 15 years and restricted to inter-agency transfers, the list contained 844 names when updated in 2021. By 2023, it had declined to 296 – not due to improved affordability, but because of administrative removals for returned mail, ineligibility, or lack of response. The continued closure of Carlsbad's waiting list for more than a decade and a half – amid a 21% rise in median rents from $2,016 to $2,440 – underscores the growing disconnect between federal housing resources and local market realities.

The most notable change within Carlsbad's housing-related activities has been the addition of direct homeless services – a class that did not exist in 2019. Carlsbad reports at the end of the five-year report period in 2023, it engaged 565 unduplicated individuals that fiscal year, resulting in 66 shelter placements and 105 transitions into permanent housing. The increase in encampment cleanups – from 50 in fiscal year 2021 to 106 in fiscal year 2023 – further reflects the evolving scale of Carlsbad's operational approach towards homelessness.

Redefining Housing Work...

At the beginning of the five-year report period in 2019, Carlsbad's housing activities were primarily focused on planning, regulatory compliance, and affordability programs. By 2023, the scope had expanded to include active field operations – outreach, shelter placements, and encampment cleanups – reflecting the City's broader shift toward directly addressing homelessness.

A listing of voucher enrollments and related information as well as homeless engagement activities during the report period follows.

City of Carlsbad:
Community Development Function, Housing (Demands)
Table A - 5.5g | Source: City of Carlsbad + SD LAFCO

Housing Choice Voucher Metrics

Category	2019	2020	2021	2022	2023	Change
HCV Participants	524	511	501	481	513	-2%
Monthly Subsidy	$1,061	$1,213	$1,297	$1,315	$1,340	+26%
Median Rent	$2,016	$2,058	$2,100	$2,420	$2,440	+21%
Subsidy as % of Rent	52.6%	58.9%	61.8%	54.3%	54.9%	+4%
Section 8 Wait List	*Closed*	844	495	350	296	N/A

Homeless Services NEW FUNCTION

Category	2019	2020	2021	2022	2023	Growth
Individuals Engaged	—	—	605	749	565	New
Shelter Placements	—	—	49	110	66	+35%
Housed	—	—	13	62	62	+377%
Encampment Cleanups	—	—	10	50	50	+400%

Illustration Created with Anthropic

Performance Measurements |
Syncing Up Resources, Capacities, and Demands

Over the five-year report period ending in 2023, the City of Carlsbad's community development function has undergone a substantive transformation – expanding beyond conventional land use regulation to encompass dedicated housing and homeless services now elevated to their own department. This organizational evolution mirrors a broader shift across all five service classes: Carlsbad's physical landscape is maturing, and the work of community development is proceeding in step. Traditional suburban community development activities – greenfield subdivisions, large-scale grading, new commercial construction – are giving way to infill-driven demands that are smaller in scale, albeit with more complexity. This evolution shows in service demands during the report period with subdivision maps, commercial building permits, and landscape plans all sharply dropping, while discretionary planning applications, technical engineering reviews, and code enforcement cases all sharply rising. These and other function measurements follow.

Above the Mean: Meeting RHNA |
Carlsbad's housing performance has consistently outpaced regional benchmarks, achieving 74% of its overall 4,999-unit assignment during the fifth RHNA cycle (2013–2021) compared to a countywide rate of 59%. The current sixth cycle (2021–2029) shows similar momentum with 34% completion after three years, with projected attainment near 89% at current pace. Carlsbad is meeting its planning obligation to provide zoning capacity to accommodate future housing opportunities for all income levels. However, construction remains a market outcome. Most of the new housing projects that have been recently approved actually provide housing for above-moderate income levels.

Building Affordable Units in Carlsbad Remains a Challenge |
Despite outperforming the region overall, Carlsbad's housing production reveals a persistent gap between the City's meeting its obligation to zone for affordable housing and where the market chooses to build. During the fifth cycle, only 5% of very-low income requirements were met (44 of 912 units) while above-moderate income outperformed by 31% (3,056 of 2,332 units). This pattern continues in the current cycle – very-low income production sits at 7% while above-moderate income is 68% – and suggests delivering affordable housing requires more tools than currently available.

Housing Assistance + Widening Subsidy Gap |

Carlsbad's housing assistance data illustrates the growing difficulty of helping lower-income families remain in the community. The number of households receiving Housing Choice Vouchers declined slightly over the five-year report period ending in 2023 to 513 — while average monthly costs (subsidies) per household rose 26% to $1,340, all while median rents rose 21% to $2,440. The net result is nearly the same number of households receiving assistance from Carlsbad, but the public (federal, state, and local taxpayers) is spending one-quarter more to keep them housed.

Infill on the Rise |

Demands on Carlsbad's community development function over the five-year report period ending in 2023 shows the City is most definitely in maturing mode: subdivision maps dropped (86%), commercial building permits fell (41%), and landscape plans declined (26%), while discretionary planning applications increased 48% and technical engineering reviews jumped 340%. These data points all align with a municipality shifting from building out to building in.

Subtle But Concrete Infill Measurement: More Code Enforcement |

Carlsbad's code enforcement cases jumped 47% during the five-year report period ending in 2023, from 1,244 to 1,829 – an average of five cases every day. This increase parallels other measurements and appears as an outcome of the transition towards more infill development and greater proximities between residents and uses.

Housing as a Core Municipal Function |

Carlsbad's reorganization of its community development function during the five-year report period ending in 2023 signals a material shift in municipal priorities by elevating housing and homeless services to equal standing with conventional regulatory activities (planning, building, code enforcement, and engineering). This transition has been reinforced by the establishment of a dedicated homelessness response system and the City Council's adoption of the Homelessness Action Plan in 2023, which formalized a coordinated framework for outreach, prevention, and housing placement services supported by measurable performance objectives. In doing so, Carlsbad is – and appropriately so – elevating housing in its full continuum – from zoning and entitlements through construction oversight to affordability programs and homelessness prevention – as a core municipal function going forward.

6.0 FINANCES

6.1 Agency Budget

The City of Carlsbad's budgeted revenues covering all core municipal services have averaged $302.1 million annually over the five-year report period, climbing to $339.8 million in 2023 – an 18% increase. Actual revenues have consistently exceeded budgeted projections, averaging $338.8 million annually and growing to $379.9 million – a 24% increase. Carlsbad's revenue composition is led by the General Fund, which has generated 57 cents of every actual revenue dollar collected during the period, primarily from property, sales, and transient occupancy taxes. Self-supporting enterprise sources (water, wastewater, golf course, etc.) have generated another 28 cents with the remaining 15 cents coming from internal service charges, special revenue programs, and trust fund receipts.

On the expense side, Carlsbad's budgeted costs across all core municipal services during the report period have averaged $305.0 million annually, rising from $276.1 million in 2019 to $342.3 million in 2023 – a 24% increase. Actual expenses have tracked slightly higher, averaging $317.4 million and reaching $355.1 million by period's close – a 29% gain. Expense composition is paced with General Fund operations consuming 59 cents of every budget dollar citywide and covering most public-facing services like fire and police protection. Enterprise activities have accounted for another 26 cents with the remaining 15 cents flowing to more specialized purposes (affordable housing, habitat mitigation, etc.) and internal operations (information technology, workers compensation, etc.).

Comfortable Cushion, Narrowing Notwithstanding…

Over the five-year report period ending in 2023, the City of Carlsbad has collected an average of $21.4 million more than expenses each year – actual revenues averaging $338.8 million against $317.4 million in expenses. This sizeable period cushion – nonetheless – has been compressing with actual revenues growing 24% compared to expenses at 29%.

City of Carlsbad:
Citywide Operating Budget: Actuals Comparison
Table A – 6.1a | Source: City of Carlsbad (Annual Budget Documents) + SD LAFCO

Actuals by Fund Type

Revenues — FY2023: $379.9M

Fund	5-Yr Avg	FY2023	Share	Growth
General Fund	$192.5M	$225.9M	57%	+26%
Enterprise	$95.3M	$90.1M	28%	+12%
Internal Service	$30.6M	$43.9M	9%	+73%
Special Revenue	$17.5M	$19.0M	5%	+8%
Trust Funds	$2.9M	$1.1M	1%	-71%
Total	$338.8M	$379.9M	100%	+24%

Expenses — FY2023: $355.1M

Fund	5-Yr Avg	FY2023	Share	Growth
General Fund	$188.5M	$205.2M	59%	+34%
Enterprise	$81.5M	$86.2M	26%	+5%
Internal Service	$29.9M	$43.9M	9%	+74%
Special Revenue	$16.9M	$19.8M	5%	+49%
Trust Funds	$0.7M	$0.1M	1%	-96%
Total	$317.4M	$355.1M	100%	+29%

Illustration Created with Anthropic

6.2 General Fund

The City of Carlsbad's General Fund revenues have grown steadily over the five-year report period ending in 2023, with actuals increasing 26% reaching $225.9 million at the close – averaging $192.5 million annually. The revenue composition has been largely sourced to three tax sources: property taxes at 40%, sales taxes at 24%, and transient occupancy (hotel) taxes at 13% - which collectively have generated 77 cents of every General Fund dollar collected. All three of these core revenue geneators has increased by no less than 27% during the period, with sales tax in lead by expanding from $40.8 million to $56.2 million in 2023, an increase of 38%. The balance of General Fund revenues collected during the period ties to service charges, licenses and permits, intergovernmental transfers, investment income, and interdepartmental charges – all of which have remainined largely flat during the period.

Consistent Surpluses – Fluctuations Notwithstanding – but Under Pressure…

The City of Carlsbad's General Fund remains healthy, generating surpluses in four of the five years during the report period ending in 2023 with the outlier involving a one-time transfer. However, and like the City's overall budget, the cushion is under pressure, with actual expense growth of 34% outpacing revenue growth of 26%. The net result is the annual General Fund surplus tightening from $25.9 million in 2019 to $20.7 million in 2023.

Actual General Fund expenses have also grown steadily over the reprting period, climbing 34% from $153.1 million in 2019 to $205.2 million in 2023 – averaging $188.5 million annually. The expense composition is lead by public safety. Police costs have consumed 25% of all

actual General Fund expenses during the period – averaging $46.7 million annually. Fire service follows and accounts for another 16% of all General Fund actuals at $29.9 million annually. All together, police and fire costs have accounted for 41 cents of every General Fund dollar expended during the period – they also account for close to half of the overall increase in total actual expenses. The remaining 59 cents of every General Fund dollar expended during the period spans funding for parks and recreation, libararies and cultural arts, public works, community development and adminstration.

City of Carlsbad:
General Fund Actuals
Table A – 6.2a | Source: City of Carlsbad (Annual Budget Documents) + SD LAFCO

Actuals by Source and Department

Revenues by Source — FY2023: $225.9M

Source	5-Yr Avg	FY2023	Share	Growth
Property Taxes	$77.0M	$87.2M	40.0%	+27.3%
Sales Tax	$45.9M	$56.2M	23.8%	+37.7%
Transient Occupancy Tax	$25.5M	$34.3M	13.2%	+30.2%
All Other Taxes	$13.9M	$15.6M	7.2%	+18.4%
Charges for Services	$9.2M	$11.4M	4.8%	+24.4%
Investment Income	$5.8M	$7.1M	3.0%	-26.2%
Intergovernmental	$5.1M	$2.4M	2.6%	+23.6%
All Other	$10.1M	$11.8M	5.4%	+22.4%
Total	$192.5M	$225.9M	100%	+26.2%

Expenses by Department — FY2023: $205.2M

Department	5-Yr Avg	FY2023	Share	Growth
Police	$46.7M	$51.1M	24.8%	+31.0%
Fire	$29.9M	$35.3M	15.8%	+46.8%
Public Works	$19.3M	$22.6M	10.3%	+34.3%
Parks & Recreation	$18.3M	$20.8M	9.7%	+21.3%
Library & Cultural Arts	$12.9M	$13.3M	6.9%	+2.5%
Community Development	$11.6M	$14.2M	6.2%	+33.0%
Administration	$11.4M	$13.0M	6.1%	+38.2%
Transfers + Other	$38.4M	$34.9M	20.2%	+66.7%
Total	$188.5M	$205.2M	100%	+34.0%

Illustration Created with Anthropic

With respect to year-end balances, Carlsbad reports the spendable unassigned portion of the General Fund closed the five-year report period in 2023 at $136.8 million – representing an overall increase of $52.7 million, or 63%.[82] The closing total is equal to covering 8.0 months of General Fund actuals.

6.3 Financial Statements

The City of Carlsbad engages independent accounting firms to externally audit its financial statements under governmental accounting standards, with Davis Farr LLP (Irvine) conducting reviews for the first three years of the five-year report period (2019, 2020, and 2021) while Lance, Soll & Lunghard LLP (Brea) covering the final two years (2022 and 2023). The audited statements for the closing year show Carlsbad's overall net position – covering all activities and associations, including the CMWD – increasing over the prior year by 0.3% from $1.868 billion to $1.873 billion. The accompanying management letter identified no material weaknesses or

[82] Source: City of Carlsbad 2023-2024 Budget, Schedule of Projected Fund Balances.

concerns, confirming the integrity of Carlsbad's financial reporting and internal controls. The following analysis details assets, liabilities, and net position for the report period.

Audited Assets

Carlsbad's total audited assets reached $2.087 billion at the close of the five-year report period in 2023, rising 4.9% from $1.990 billion in 2019. The ending year figure sits 1.9% above the five-year average of $2.047 billion and reflects steady but modest growth throughout the period. Current assets – those readily convertible to cash within a year – total $911.1 million or 43.6% of the portfolio and predominantly held in cash and investments. Non-current assets comprise the remaining $1.176 billion, consisting primarily of depreciable capital infrastructure with approximately one-third tied to the Carlsbad's three enterprise operations: golf, water, and wastewater. On a per capita basis, total assets increased slightly from $17,687 to $17,928 – or 1.4%%, as population growth of 3.5% outpaced asset accumulation.

Liquidity Build-Up…

The City of Carlsbad ended the five-year report period in 2023 with $2.087 billion in total assets, with nearly 44% – or $911 million – in cash and liquid investments. Total assets rose 4.9%, driven by an 8.6% increase in liquid holdings versus just 2.2% in capital infrastructure – a shift toward greater liquidity.

City of Carlsbad:
Audited Assets
Table A-6.3a | Source: City of Carlsbad ACFRs + SD LAFCO

Category	2019	2020	2021	2022	2023	5-yr Average	Change
Current *	838.963	865.447	891.683	895.588	911.088	880.554	8.6
Non-Current **	1,151.415	1,159.883	1,166.848	1,178.785	1,176.237	1.166.634	2.2
Total **	**1,990.378**	**2,025.330**	**2,058.531**	**2,074.373**	**2,087.325**	**2.047.187**	**4.9**
Per Capita	$17,687	$17,857	$18,007	$18,004	$17,928	$17,897	1.4%

* Amounts in millions
** Amounts in billions

Audited Liabilities

Carlsbad's total audited liabilities stand at $287.2 million at the close of the five-year report period in 2023, up 22.4% from $234.8 million in 2019. The ending-year figure sits 23.9% above the five-year average of $231.7 million, reflecting notable year-to-year volatility – particularly in 2022, when liabilities drop to $163.8 million before rebounding. Current liabilities due within one year total $60.4 million, or roughly one-fifth of all obligations, primarily involve accounts payable for payroll, vendor services, and accrued expenses. Non-current liabilities make up the remaining $226.9 million and led by long-term debt and pension obligations. On a per-capita basis, total liabilities have risen from $2,086 to $2,467 – an 18.3% increase that outpaces population growth and indicates each resident's notional share of municipal obligations grows by about $381 during the report period.

Obligations Climb…

The City of Carlsbad's $287 million in liabilities, while up 22.4% over five years, remain seven times smaller than its $2.087 billion in assets, providing a substantial cushion. Liabilities are expanding, however, nearly five times faster than assets: 22.4% versus 4.9%.

City of Carlsbad:
Audited Liabilities
Table A-6.3b | Source: City of Carlsbad ACFRs + SD LAFCO

Category	2019	2020	2021	2022	2023	5-yr Average	Change
Current *	54.117	59.063	64.272	75.414	60.367	62.647	11.6
Non-Current *	180.646	167.787	181.719	88.389	226.857	169.080	25.6
Total *	**234.763**	**226.850**	**245.990**	**163.802**	**287.224**	**231.726**	**22.4**
Per Capita	$2,086	$2,000	$2,152	$1,422	$2,467	$2,025	18.3%

* Amounts in millions

Audited Net Position

Carlsbad's audited net position – the difference between total assets and liabilities after accounting for deferred resources – totals $1.873 billion at the close of the five-year report period in 2023, up 3.5% from $1.810 billion in 2019. The ending figure sits 1.3% above the five-year average of $1.848 billion, reflecting modest but steady growth. Capital assets dominate, comprising about three-fifths of total net position at $1.162 billion with the remainder split between restricted funds at $287.7 million and unrestricted funds at $424.0 million. The unrestricted portion shows the strongest proportional gain, rising 9.7%, followed by capital assets at 2.5%, while restricted funds edge down (1.0%). On a per-capita basis, net position remains essentially flat at $16,089, mirroring 2019 levels as balance-sheet growth parallels population change. When adjusted to exclude GASB 68 and 75 pension and OPEB obligations, net position increases to $1.989 billion, adding $116.2 million or 6.2% to the reported figure and underscoring how these accounting standards materially shape Carlsbad's balance sheet.

Steady...

The City of Carlsbad's net position has grown 3.5% over the five-year report period ending in 2023. Despite the overall increase, per-capita values have remained flat at 16,089 – showing fiscal growth keeping pace with population rather than exceeding it.

City of Carlsbad:
Audited Net Position
Table A-6.3c | Source: City of Carlsbad ACFRs + SD LAFCO

Category	2019	2020	2021	2022	2023	5-yr Average	Change
Capital Assets **	1,133.593	1,142.276	1,151.813	1,164.002	1,162.577	1,150.452	2.5
Restricted *	290.440	306.608	310.562	288.218	287.667	296.699	(1.0)
Unrestricted *	386.509	380.526	399.653	415.399	423.978	401.213	9.7
Total **	1,810.524	1,829.410	1,861.028	1,867619	1,873.222	1,848.364	3.5
Per Capita	*$16,089*	*$16,129*	*$16,280*	*$16,210*	*$16,089*	*$16,159*	*0.0%*
Total Adjusted **	1,859.308	1,999.295	2,009.947	1,982.301	1,989.393	1,988.049	1.5%

"Total Adjusted" excludes GASB 68 and 75 reporting requirements
* Amounts in millions
** Amounts in billions

With respect to the unrestricted portion of Carlsbad's net position, the $424.0 million balance at the end of the report period represents the accrued, spendable share of citywide resources, subject only to internal policy designations such as commitments and

assignments. When adjusted to exclude pension and other retiree-related liabilities, the available balance increases to $540.1 million, providing a more accurate long-term picture of discretionary fiscal capacity. For context, this adjusted amount is equivalent to roughly 24 months of total citywide operating expenses – across both governmental and business-type activities – based on year-end actuals.[83]

6.4 Fiscal Indicators | Liquidity, Capital, Margin + Asset Management Measurements

LAFCO's review of the City of Carlsbad's audited financial statements covering the five-year report period ending in 2023 reveals a municipality balancing substantial reserve strength with evolving capital investment strategies. As detailed, Carlsbad maintains liquidity levels that substantively exceed industry benchmarks and debt ratios well below cautionary thresholds, collectively providing the City significant financial flexibility. This flexibility has accelerated toward the end of the period as Carlsbad increased infrastructure spending. This shift toward capital investment occurred alongside steadily improving operating margins and more volatile total margins, while relatively young infrastructure that had experienced several years of below-replacement reinvestment received a concentrated jump in funding. An analysis of four central fiscal measurement categories – liquidity, capital, margin, and asset management – follow.

[83] Carlsbad's average actual monthly citywide operating expense in 2022-2023 is $22.3 million and covers all governmental and business (enterprise) activities.

Liquidity (Short-Term Outlook)

Carlsbad's average **current ratio** during the report period ending in 2023 has been 14.1 to 1 and equal to nearly $14 in current assets available for every $1 in near-term obligations. While always well above the standard 2 to 1 benchmark, Carlsbad's current ratio modestly fell from 15.5 to 1 in 2019 to 15.1:1 in 2023 – still more than seven times the conventional benchmark. The **cash ratio**, which excludes less liquid assets like receivables, mirrors the current ratio with a period average of 14.5 to 1, indicating nearly all current assets are already held as cash rather than receivables or inventory. Carlsbad's **days' cash** on hand further magnifies the City's high liquidity levels with a period average of 1,443 days, declining from 1,441 days in 2019 to 1,353 days in 2023. This represents roughly 3.7 years of overall operating expenses – approximately 15 times the 90-day minimum typically advised for municipalities. These collective liquidity metrics shows Carlsbad is positioned to weather even catastrophic financial disruption. While Carlsbad's liquidity levels eliminate virtually any conceivable near-term financial risk, maintaining cash reserves equivalent to nearly four years of operations raises questions about the opportunity costs.

Four Years of Cash...

The City of Carlsbad holds high liquidity levels – closing the five-year report period with 1,353 days of cash on hand, enough to operate for 3.7 years without collecting a dollar in revenue.

City of Carlsbad:
Liquidity Measurements
Table A-6.4a | Source: City of Carlsbad ACFRs + SD LAFCO

Category	2019	2020	2021	2022	2023	5-yr Average	Change
Current Ratio	15.5 to 1	14.7 to 1	13.9 to 1	11.9 to 1	15.1 to 1	14.1 to 1	(2.6%)
Cash Ratio	14.4 to 1	13.7 to 1	12.8 to 1	10.7 to	13.6 to 1	12.9 to 1	(5.6%)
Days' Cash	1,441	1,506	1,533	1,381	1,353	1,443	(6.1%)

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

Capital (Long-Term Outlook)

Carlsbad's average **debt-to-net position** during the five-year report period ending in 2023 equals 10.4%, meaning total debt obligations represent one-tenth of the City's overall net worth. While this metric remained stable between the first four years – hovering between 9.3% and 10.4% – it did rise to 13.1% in the fifth year, and in doing so pushing the overall period change by 26%. Even at this elevated level, Carlsbad's debt burden remains far below the 50% cautionary threshold commonly used to assess municipal solvency, positioning more than three times below the benchmark that typically raises concerns about over-leveraging. The **debt ratio**, which separately measures the proportion of total assets financed through borrowing, mirrors this pattern with a period average of 12.1% and a final year reading of 14.0%. This means 86% of Carlsbad's assets are equity-financed rather than debt-financed, providing substantial cushion well below the 70% cautionary threshold. These collective debt measurements show Carlsbad retaining exceptional capacity through the report period to leverage additional borrowing for capital investments when, and if, needed.

Low Debt, High Capacity…

The City of Carlsbad's debt load at the end of the five-year report period in 2023 equals just one-tenth of its net position and 13% of total assets – more than five times below standard solvency caution thresholds.

City of Carlsbad:
Capital Measurements
Table A-6.4b | Source: City of Carlsbad ACFRs + SD LAFCO

Category	2019	2020	2021	2022	2023	5-yr Average	Change
Debt to Net Position	10.4%	9.4%	9.8%	9.3%	13.1%	10.4%	26.0%
Debt Ratio	11.8%	11.2%	11.7%	11.8%	14.0%	12.1%	18.8%

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

Margin (Net Income)

Carlsbad's average **operating margin** during the five-year report period was 7.0%, meaning the City retains seven cents of every dollar revenue after covering day-to-day operating costs. This metric started below the 5% industry benchmark at 4.5% in 2019, dipped further to 1.9% in 2020, then strengthened steadily – rising to 9.2% in 2021, 8.4% in 2022, and 10.9% in 2023. The latter figure more than doubles the industry standard and represents a 141% improvement over the period. The **total margin**, which measures fiscal sustainability across all revenues and expenditures, averaged 4.3% but showed greater volatility. It began well above the 10% industry benchmark at 12.4% in 2019, dropped sharply to 4.2% in 2020, partially recovered to 7.1% in 2021, then fell to (9.4%) in 2022 before rebounding to 6.3% in 2023. Unlike the operating margin's steady upward trajectory, the total margin declined (49%) over the report period and, despite the 2023 rebound, ended below industry norms, underscoring the effects of nonrecurring fluctuations.

Steady Operations, Less Steady (Relative) Totals...

The City of Carlsbad's operating margin more than doubled to 10.9% by the end of the five-year report period in 2023, even as total margins fluctuated widely – highlighting durable core performance amid broader fiscal swings.

City of Carlsbad:
Margin Measurements
Table A-6.4c | Source: City of Carlsbad ACFRs + SDLAFCO

Category	2019	2020	2021	2022	2023	5-yr Average	Change
Operating Margin	4.5%	1.9%	8.2%	8.4%	10.9%	7.0%	140.7%
Total Margin	12.4%	4.2%	7.1%	(9.4%)	6.3%	4.3%	(48.9%)

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

Asset Management

Carlsbad's average **capital asset age** during the five-year report period ending in 2023 is 15.7 years, placing its infrastructure in the early-to-mid stage of its expected life cycle relative to typical municipal replacement timelines. The measure has increased gradually over the first four years – from 14.9 years in 2019 to a peak of 16.8 years in 2022 – reflecting normal aging, before declining (improving) to 15.6 years in 2023 as new projects came online. Even at its highest point, Carlsbad's asset age has remained well below the 40–60-year range commonly associated with replacement needs, indicating a young and well-maintained system. The average **accumulated depreciation ratio** – which tracks how much of an asset's useful life has been consumed – during the period equals 56.9% with a final figure of 62.7% in 2023. This measurement climbed steadily during the period with an overall change of 20.9% and indicates Carlsbad's infrastructure has used roughly three-fifths of its accounting life and well below the 100% threshold where assets would be fully depreciated. The **capital asset reinvestment ratio**, which measures how well annual capital spending keeps pace with normal wear and tear, shows the greatest change. The period average of 74.0% is considered under average, and indicates Carlsbad is reinvesting about three-quarters of the value its infrastructure depreciates each year.[84] Overall, these measures collectivley show Carlsbad with young infrastructure that has recently accelerated capital investment after several years of reinvestment below replacement levels

Ahead of Replacement Curve...

The City of Carlsbad's infrastructure averages just 15.7 years old through the five-year report period ending in 2023 – far below the 40–60-year replacement threshold. This relatively young asset base absorbed three years of underinvestment during the report period before Carlsbad surged to 115% reinvestment in 2022, showing infrastructure resilience that comes from staying ahead of aging cycles.

City of Carlsbad:
Asset Management Measurements
Table A-6.4d | Source: City of Carlsbad ACFRs + SD LAFCO

Category	2019	2020	2021	2022	2023	5-yr Average	Change
Capital Assets' Age (Accounting)	14.9	15.5	16.6	16.8	15.6	15.9	4.8%
Accumulated Depreciation Ratio	51.9%	54.2%	56.7%	58.9%	62.7%	56.4%	20.9%
Capital Asset Reinvestment Ratio	68.2%	55.3%	54.5%	115.5%	76.4%	74.0%	11.9%

[84] More notable are the fluctuations with the ratio staying between 54.5% and 68.2% from 2019 through 2021, then spiking to 115.5% in 2022 before falling back to 76.4% in 2022. The 2022 surge indicates a catch-up cycle where Carlsbad's capital spending briefly outpaces asset depreciation.

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

6.5 Pension Obligations

The City of Carlsbad provides a defined pension benefit to its employees through investment risk-pool contracts with the California Public Employees Retirement System (CalPERS). These pension contracts provide employees with specified post-employment benefits based on the date of hire and placement in one of two broad category types: miscellaneous and public safety. Additional pension details based on actuarial valuations for Carlsbad issued by CalPERS as part of its annual reporting process during the five-year report period follows with respect to enrollees, formulas, contributions, and funded status.

Pension Enrollees and Funding Formulas

The annual valuation issued at the end of the five-year report period in 2023 identifies 2,509 total participants in Carlsbad's CalPERS pension program – an increase of 243 enrollees over the preceding four years in which data is readily available. This growth has occurred unevenly across enrollee categories with retirees increasing 13.3% (881 to 998) while active employees grew 5.0% (768 to 806). Separated employees – those leaving City employment before retirement but retaining vested pension benefits – jumped 25.6% (305 to 383), representing the fastest-growing category.

The internal shifts in Carlsbad's enrollee type produces an active-to-retiree ratio that has fallen from 0.87 to 1 in 2020 to 0.81 to 1 in 2023, a difference of (7.4%). This substantive change means Carlsbad finished the report period with 1.2 retirees for every active worker. As this ratio continues declining – with retirees growing more than twice as fast as active employees – the burden on the pension system will intensify with fewer current workers supporting an expanding population of benefit recipients.

5 Workers for Every 6 Retirees...

The City of Carlsbad finished the five-year report period in 2023 with 2,509 total enrollees within its two pension programs (miscellaneous and public safety) with CalPERS. The active-to-retiree ratio is 0.8 to 1.0 and means more retirees than active (and paying) workers.

Miscellaneous employees make up nearly three-fourths - or 74.7% - of all pension enrollees at the end of the report period. These employees receive defined pension payments based on their hire date, with formulas ranging from 2.0% at age 62 (for hires on or after January 1, 2013) to 3.0% at age 60 for earlier hires. The remainder of enrollees are categorized as public safety (fire and police) with higher pension formulas ranging from 2.7% at age 57 to 3.0% at age 50, the former applying to new hires.[85]

City of Carlsbad:
Pension Enrollee Information
Table A-6.5a | Source: CalPERS + SD LAFCO

Type	2019	2020	2021	2022	2023	Change
Active	n/a	768	740	768	806	5.0%
Transferred	n/a	312	304	310	322	3.2%
Separated	n/a	305	328	360	383	25.6%
Retired	n/a	881	924	963	998	13.3%
Total Enrollees		2,266	2,296	2,401	2,509	10.7%
Active to Retiree Ratio		0.87 o 1	0.80 to 1	0.80 to 1	0.81 to 1	(7.4%)

Annual Contributions

Carlsbad's combined annual pension contribution to CalPERS at the end of the report period in 2023 totals $34.618 million. This amount includes both employer and employee shares and reflects a modest overall period change of (3.7%) compared to 2019. However, significant volatility occurred between these endpoints with contributions ranging from a low of $26.9 million to a high of $46.3 million – a gap of more than 70% with contributions nearly doubling between the lowest and highest years.

A notable cost-shifting dynamic has concurrently emerged during the period: the employee share of total contributions has increased from 14.4% to 19.6% – a relative increase of 44.6% – while the employer share fell from 85.6% to 80.4%. This cost-shifting becomes even more apparent in pension costs relative to payroll. While annual payroll increased 31.8% from $60.769 million to $80.118 million, Carlsbad's pension contribution as a share of payroll fell from 50.7% to 34.7% – a drop of (31.4%).

51 Cents to 35 Cents...

While retirees now outnumber active workers, the City of Carlsbad's pension costs during the five-year report period ending in 2023 show a sizable cost-shift. In 2019, Carlsbad paid 51 cents in pension costs for every salary dollar. By 2023, just 35 cents. This 31% improvement ties to pension reform and newer employees' less generous formulas gradually replacing legacy costs even as total payroll grew 32%.

[85] For illustrative purposes, an employee with 30 years of service credit that retires at the designated age would receive the following percentage of their highest annual salary: 60% at 2.0% formula; 81% at 2.7% formula; and 90% at 3.0% formula.

This improvement for Carlsbad reflects the gradual replacement of legacy pension formulas with less expense benefits for newer hires, which slowly reduces the City's proportional pension burden even as the number of enrollees increases.

City of Carlsbad:
Pension Contributions
Table A-6.5b | Source: CalPERS + SD LAFCO

Category	2019	2020	2021	2022	2023	Average	Trend
Carlsbad's Share *	30.790	40.866	20.959	30.805	27.840	30.252	(9.6)
Employees' Share*	5.175	5.421	5.919	6.297	6.778	5.918	31.0
Total Contribution *	35.966	46.287	26.878	37.103	34.618	36.170	(3.7)

City of Carlsbad:
City Contribution v. Annual Payroll
Table A-6.5c | Source: CalPERS + SD LAFCO

Category	2019	2020	2021	2022	2023	Average	Trend
Annual Payroll *	60.769	67.808	69.001	73.745	80.118	70.289	31.8
City Share as % of Payroll	50.7%	60.3%	30.4%	41.8%	34.7%	43.6%	(31.4%)

* Amounts in millions

Funding Status

Carlsbad's total unfunded pension liability at the end of the five-year report period in 2023 totals $241.434 million, covering both miscellaneous and public safety categories. This figure represents the accrued pension obligations owed to all employees that are not covered by the market value of Carlsbad's existing assets. It translates to a funded ratio of 73.7% - meaning the pension system holds about 74 cents in assets for every dollar of projected pension liabilities.

The 3% Gap...
The City of Carlsbad's pension liabilities have grown 28% during the five-year report period while assets increased 25% – a 3% gap, and as a result lowering the City's funded ratio down to 73.7%.

While Carlsbad's funded ratio positions above the 70% cautionary threshold commonly applied post-GASB 68, the cushion has been narrowing. The trajectory has also been uneven. The ratio began the report period at 75.5% in 2019, remained largely flat at 75.3% in 2020, then jumped to 86.0% in 2021 in step with market conditions and higher investment returns. The ratio fell back to 74.6% in 2022 and subsequently to 73.7% in 2023. Over the full period, the funded ratio has declined (2.3%) while the unfunded liability grew

$65.4 million – a 37.1% increase – leaving Carlsbad just a few percentage points above the cautionary 70% threshold.[86] Liabilities also outpaced asset growth (28.1% vs. 25.1%).

CalPERS has achieved investment returns of 9.3% and 11.6% in fiscal year 2024 and 2025, respectively. While member agencies' funded statuses are expected to increase as a result of this positive performance, pension volatility and pressures on operating budgets remain a critical challenge. The City of Carlsbad established a Section 115 Pension Trust in September 2023 and has since contributed $25 million, earning approximately 16% over a two-year period. These funds are available to the City to reimburse operating budgets during periods of extreme pension rate volatility and to fund potential changes in CalPERS actuarial assumptions in the future.

City of Carlsbad:
Pension Funding Status
Table A-6.5d | Source: CalPERS

Category	2019	2020	2021	2022	2023	Change
Accrued Liabilities *	717.926	773.747	828.832	874.411	919.432	28.1
Market Value of Assets *	541.844	582.319	712.859	651.975	677.998	25.1
Unfunded Liability	(176.082)	(191.427)	(115.973)	(222.436)	(241.434)	(37.1)
… Funded Status	75.5%	75.3%	86.0%	74.6%	73.7%	(2.3%)

* Amounts in millions

6.6 Other Post-Employment Benefit Obligations

The City of Carlsbad provides healthcare benefits to its eligible retirees as another post-employment benefit (OPEB) through a benefit trust fund. The trust fund – CERBT – is managed by CalPERS and provides the City with a pre-funding account to cover OPEB obligations as an alternative to a pay-as-you-go approach. The annual reporting figures detailed below are stated as of the GASB Statement No. 75 measurement date applicable to each fiscal year, which precedes the corresponding fiscal year end by one year (e.g., the 2023 figures reflect a measurement date of June 30, 2022). Additional OPEB details based on the available actuarial valuations follow with respect to enrollees, contributions and payments, and funded status.

[86] The City reports it is currently on track to achieve an 80% funded ratio by FY 2028–29 and reflected an approximate 77% funded status in the FY 2025–26 adopted budget. Carlsbad's pension position remains among the stronger funded agencies in the region.

OPEB Enrollees + Eligibility

The most recent valuation shows 1,400 total participants in the City's OPEB plan at the close of the five-year reporting period in 2023, comprising 784 active employees and 616 retirees-and-beneficiaries. This represents an overall increase of 148 enrollees compared to the 1,252 at the start of the reporting period in 2019 (734 active employees and 518 retirees-and-beneficiaries). The resulting active-to-retiree ratio has adjusted from 1.4-to-1 to 1.3-to-1 over the period, reflecting a gradually expanding retiree population relative to active employees and applying steady upward cost pressure. Eligibility ties to employees who are vested in CalPERS – those with five or more years of service – and who begin receiving a CalPERS pension within 120 days of retirement.

More Retirees, Fewer Active Workers...

Carlsbad finished the five-year reporting period in 2023 with 1,400 OPEB enrollees: 784 active employees and 616 retirees – producing an active-to-retiree ratio of 1.3 to 1.0 and a 11.8% increase from the period start total of 1,252.

Contributions + Benefit Payments

The City's annual employer contribution to its OPEB plan at the close of the five-year reporting period in 2023 totals $1,102,669. This most recent figure reflects a period increase of 28.1% from the starting contribution of $860,894 in 2019. Over the same time, the City's covered payroll has grown 27.6% from $56,982,964 to $72,712,238 – meaning OPEB contributions and payroll have grown at a broadly comparable rate over the period. Total City contributions over the period have been $5,208,290, made consistently across all five years and exceeding the actuary's required threshold every year. Comparatively, the City's benefit payments to retirees via CERBT at the close of the reporting period in 2023 total $1,095,532, representing the City's portion of healthcare premiums paid on behalf of retirees currently drawing benefits. This figure has increased overall by 27.3% from the period start of $860,894 in 2019. Total City benefit payments made over the reporting period have been $4,918,689.

Staying Ahead of Obligations...

Carlsbad's contributions to the trust fund have kept pace with its benefit payments made over the five-year reporting period ending in 2023 – $5,208,290 in total contributions (inflow) against $4,918,689 in total benefit payments (outflow). Carlsbad's contributions have exceeded the actuary's required threshold in each of the five years covered.

Funded Status

The City's net OPEB position at the close of the five-year reporting period in 2023 is a liability of $2,968,540 – meaning the City's dedicated CERBT trust holds less in invested assets than the actuary's measure of the City's accrued liabilities. This composite figure is produced by a net market value of trust assets of $17,702,797 against an actuarial estimate of liabilities of $20,671,337. The corresponding funded ratio at the period close is 85.6%, meaning the trust holds approximately $0.86 in dedicated assets for every $1.00 of measured liability.

Closing the Gap…

Carlsbad finished the five-year reporting period in 2023 underfunded, with $2,968,540 more in actuarial liabilities than market assets – a funded ratio of 85.6%. The plan briefly reached full funding in 2022 before a rise in liabilities pulled the ratio back below 100%.

The City has remained underfunded for most of the reporting period, with the exception of fiscal year 2022, when strong investment returns pushed the funded ratio to 103.5% – the only year in which the plan held more assets than liabilities. From that high, the funded ratio retreated to 85.6% by 2023, reflecting a 24.6% increase in the actuarial accrued liability – from $16,592,421 to $20,671,337 – that has slightly outpaced a 23.2% increase in the market value of trust assets, from $14,366,953 to $17,702,797. A contributing factor involves the discount rate – the assumed annual return on money in the CERBT – which CalPERS reduced from 7.0% through 2021 to 6.5% beginning in 2022. Each reduction increases the present value of the accrued liability and contributes pressure on the funded ratio.

7.0 WRITTEN DETERMINATIONS

LAFCO is required to prepare written determinations to address multiple governance factors enumerated under Government Code Section 56430 as part of the municipal service review on the Carlsbad region. These determinations are specific to the City of Carlsbad and serve as independent statements based on information collected, analyzed, and presented in this report. The underlying intent of the determinations is to provide the Commission – and by extension the general public – a succinct detailing of all pertinent issues relating to the organization, delivery, and funding of municipal functions and associated classes among the three affected agencies specific to LAFCO's growth management responsibilities and interests.

MSR Determinations…

These determinations address the specific factors required in the statute and represent statements of fact or reasonable deductions made by LAFCO based on information analyzed between 2019 and 2023 and specific to the City of Carlsbad. Where appropriate, alternative data dates are utilized and noted accordingly.

7.1 Growth Projections & Related Demographics

1. Carlsbad continues to add population, albeit in a far more managed pace compared to the growth surge between 1970 and 2000 where the population grew from 15,000 to 78,000, the equivalent of a compound annual growth rate of 5.6%.

   (a) The total population in Carlsbad is estimated at 116,428 at the end of the five-year report period in 2023, representing 4% of the overall resident population estimate in San Diego County of 3,325,714.

   (b) Carlsbad's population has risen overall by an estimated 11% from 104,860 at the prior census reset in 2010 to the report period in 2023 – a net increase of 11,568. This extended measurement translates to an annual average increase of 0.9%, or 890 persons.

   (c) Specific to the report period ending in 2023, population gains in Carlsbad have slowed compared to rates going back to the 2010 census, with the annual growth rate decelerating to 0.5%, or 582 persons.

   (d) A linear extension of population growth estimates for Carlsbad since the 2010 census through the timeframe of this report generates a population projection of 121,453 by 2028, and 123,523 by 2030.

2. The housing supply in Carlsbad continues to tighten, and as a result home prices significantly exceed standard affordability benchmarks.

   (a) The total number of housing units in Carlsbad is estimated at 48,434 at the end of the five-year report period in 2023, representing 4% of the overall housing stock estimate in San Diego County of 1,247,863.

   (b) The number of housing units within Carlsbad has risen by an estimated 9% from 44,491 at the prior census reset in 2010 to the report period's close in 2023 – a net increase of 3,943. This extended measurement translates to an annual average increase of 0.7%, or 303 units.

   (c) The ratio of population gained to housing units added in Carlsbad between the 2010 census and the report period's close is 2.9 – a supply tightening of 21% compared to the cumulative ratio of 2.4.

(d) The average home value in Carlsbad has increased by approximately 62% over the five-year report period, from $832,749 in 2019 to $1.349 million in 2023. This generates a home price-to-income ratio estimate of 10-to-1 – well above the standard benchmark ceiling of 5-to-1.[87]

3. Homeless conditions in Carlsbad are substantively improving based on point-in-time counts performed during the five-year report period.

   (a) The ratio of persons counted as homeless in Carlsbad during the report period has improved from one per every 707 housed residents in 2019 to one per every 1,130 in 2023 – a nearly two-thirds improvement.

4. With respect to other material demographics:

   (a) Residents in Carlsbad tend to be older, with a median age of 43 at the end of the report period in 2023 – approximately 20% above the countywide median of 36.

   (b) Households in Carlsbad tend to be more prosperous, with a median income of $129,269 at the end of the report period in 2023 – approximately 48% above the countywide median of $88,240.

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

1. There are no unincorporated lands within Carlsbad's sphere of influence qualifying as a disadvantaged unincorporated community under LAFCO policy.

7.3 Capacity of Public Facilities, and Infrastructure Needs and Deficiencies

1. This municipal service review has been scaled by the Executive Officer to focus on examining the capacity, demand, and performance of five specific service functions underpinning Carlsbad's growth and development: (a) wastewater, (b) integrated fire protection, emergency medical, and ambulance services, (c) parks and recreation, (d) library and cultural arts, and (e) community development.

[87] Reference to 28/36 debt-to income mortgage guidelines published by the federal Consumer Financial Protection Bureau.

2. Carlsbad's wastewater function operates efficiently and without material deficiencies in meeting community demands, while acknowledging two emerging pressures: peak-day flow constraints given shared infrastructure dynamics with Buena SD, and a capital program that has concluded the five-year report period in 2023 with a negative sewer replacement balance and is fully dependent on operating surpluses.

   (a) Carlsbad's wastewater function encompasses three separate service classes: collection, treatment, and discharge with the latter two provided through its membership in the Encina Joint Powers Authority.

   (b) Wastewater service in Carlsbad is delivered through a collaborative framework in which Carlsbad manages collection for nearly four-fifths of the City boundary – with Leucadia Wastewater District and Vallecitos Water District serving the balance – while treatment and discharge are provided regionally by the Encina Wastewater Authority.

   (c) Carlsbad's wastewater customer base has remained relatively steady with less than 1% increase in physical connections over the five-year report period, while EDUs have increased by more than 7% - the latter signaling demand intensification.

   (d) Carlsbad's average day wastewater flow during the five-year report period ending in 2023 has been 6.110 million gallons – equal to 60% of its allocated treatment and discharge capacity at Encina.

   (e) Carlsbad's average day wet-weather flow during the five-year report period has been 6.810 million gallons – equal to 66% of its allocated treatment and discharge capacity at Encina, with the difference between wet-weather flow growth (16%) and dry-weather flow growth (2%) indicating elevated inflow and infiltration entering the City's collection system.

   (f) Carlsbad's peak wet-weather day demands during the five-year report period have generated an average peaking factor of 1.9, driven largely by a single April 2020 storm event that produced a recorded flow of 18.120 million gallons – nearly three times the average daily flow, and – pertinently – the result of external factors outside the City's control.

i. The external impact was confirmed by an April 2020 overflow in which flows originating from Buena Sanitation District's sewer main reversed due to an obstruction into Carlsbad's connecting line, spilling approximately 95,000 gallons per State Board records.

ii. Excluding the April 2020 overflow, Carlsbad's peak wet-weather day demands over the balance of the report period generated an average flow of 9.753 million gallons – an amount within its collection and allocated Encina capacities, albeit approaching capacity at 95% of its allocation.

iii. The reliability of Carlsbad's recorded peak wet-weather flows warrants qualification, as flows attributable to Carlsbad versus Buena SD are not readily distinguishable given the shared interceptor arrangement.

(g) Carlsbad's wastewater system posted a 9% operating margin over the five-year report period, generating sufficient revenues to sustain operations and build up reserves.

(h) Carlsbad's wastewater fund balance – which grew from $9.982 to $15.067 million over the five-year report period – is the sole budgeted funding source for the City's 15-year, $112.2 million sewer replacement capital program. The program's dedicated replacement fund carries a negative balance at period's close, making continued operating surpluses essential in making timely repairs and improvements.

3. Carlsbad's integrated fire protection function has kept up with rising community demands through a significant expansion of resources during the five-year report period ending in 2023 – strengthening an already high degree of operational self-sufficiency.

(a) Carlsbad's integrated fire protection function encompasses three service classes: fire protection (suppression and rescue), emergency medical (advanced life support), and ambulance transport.

(b) Carlsbad has significantly expanded its integrated fire protection function over the five-year report period by increasing staffing levels 46% to 134.5 FTEs, and in doing so facilitating three coordinated service enhancements: year-round lifeguards, two additional ambulances, and opening a seventh station.

(c) Carlsbad's annual onsite arrival for fire protection demand (suppression, rescue, and emergency medical) has increased each year during the five-year report period, up 14% overall – from the equivalent of one incident every 50 minutes in 2019 to one every 44 minutes in 2023.

i. Incidents within Carlsbad accounted for an average of 91% of all onsite arrivals during the report period, a share that has remained largely unchanged with less than a 1% overall adjustment.

ii. Carlsbad responded without outside auto-aid to 79% of all onsite incidents during the report period – a net 3% increase.

(d) Carlsbad's annual onsite ambulance transport demand has increased 41% over the five-year report period – from the equivalent of 12 roundtrips per day in 2019 to 17 roundtrips per day in 2023.

(e) Carlsbad's resources (funding, staffing, and equipment) and related management practices have positioned the City to independently and advantageously meet nearly four-fifths of all onsite demands within City limits during the five-year report period ending in 2023 with no outside assistance – a high mark of self-sufficiency.

(f) Carlsbad's ratio of auto-aid received to auto-aid provided during the five-year report period ending in 2023 is closely balanced at 23.2% and 21.9%, respectively – indicating the City has achieved an equitable position with respect to receiving adequate support within City limits while contributing fairly to regional emergency response outside the City limits.

4. Carlsbad has invested in its parks and recreation function at nearly double the national rate for comparably sized cities throughout the five-year report period ending in 2023 – a premium that has sustained ongoing expansions, and in doing so has matched rising community demand; it also provides the City a discretionary cushion that could be drawn upon to sustain core operations if needed.

(a) Carlsbad's parks and recreation function encompasses three service classes: aquatics, parks and open space, and community recreation.

(b) Carlsbad's parks and recreation function has evolved from free-play parks to increasingly structured recreational programming – a transition tracking with demographic changes and community interests beginning in the 1970s and reinforced by the voter-approved growth management initiative in 1986 to reorient City priorities toward quality of life.

(c) Core capacities underlying Carlsbad's parks and recreation function through the end of the five-year report period involve 14 community parks and 28 special use sites with a combined acreage of 432.4 acres.

(d) Community demand for Carlsbad's parks and recreation function has grown sharply during the five-year report period based on trackable measurements – including sports field rentals more than doubling, gymnasium rentals tripling, and aquatics participation increasing 64%.

(e) Carlsbad has made a substantial financial commitment to its parks and recreation function at an equivalent average General Fund investment of $159 per capita through the five-year report period – almost double the national benchmark of $87 per capita for comparably sized cities.

(f) Carlsbad's provision of 3.8 acres of developed parkland per 1,000 residents at the end of the five-year report period exceeds the 3.0-acre baseline mark under the City General Plan and California's Quimby Act – though short of the national benchmark of 7.0 acres for comparably sized cities.

5. Carlsbad's library and cultural arts function has adapted to changing community needs during the five-year report period ending in 2023 – most notably by adjusting to fewer in-person visits through expanded digital offerings while also repurposing brick-and-mortar investments in conventional library facilities to meet community gathering needs.

(a) Carlsbad's consolidated library and cultural arts function encompasses two corresponding classes – library and cultural arts.

(b) Carlsbad's consolidated library and cultural arts function operates out of three dedicated facilities totaling close to 100,000 square feet – anchored by the Dove Library, which serves a dual role as the largest branch and primary cultural arts venue with a 2,000-square foot gallery and 215-seat auditorium.

(c) Carlsbad's library visits across its three branches experienced a notable shift during the five-year report period, with the net annual volume decreasing from 668,973 to 426,470 – a (36%) decline.

(d) Carlsbad has more than tripled its e-book collection over the five-year report period from 15,407 to 47,634 titles – an investment that has proven timely as e-material circulation increased 84% and in doing so helped make up for the decrease in physical checkouts, resulting in net circulation decline of only (3%) despite a one-third decrease in in-person visits.

(e) Carlsbad has effectively adapted its library facilities from collection-centered spaces to flexible community environments during the five-year report period, and in doing so filling a community need for public gathering and study spaces.

6. Trends across Carlsbad's community development function during the five-year report period ending in 2023 show a uniform demand toward building in, with workload increasingly focused on discretionary review and technical engineering tied to infill projects – development that has – pertinently relative to state interests - disproportionately produced above-moderate income housing.

(a) Carlsbad's community development function encompasses five service classes: planning, building, code enforcement, engineering, and housing.

(b) Carlsbad achieved 74% of its fifth-cycle RHNA assignment (2013-2021) against a countywide rate of 59%, with the current sixth cycle (2021-2029) on pace for 89% attainment based on status at the end of five-year report period – all of which demonstrates the City doing its part to facilitate housing production. The City continues to identify adequate sites with appropriate zoning to meet its share of the RHNA, and ensure that regulatory systems provide opportunities for, and do not unduly constrain, housing development.

(c) Notwithstanding overall achievement, housing production in Carlsbad shows a persistent income-level gap: fifth cycle very-low income units met only 5% of the RHNA assignment (44 of 912) while above-moderate exceeded its target by 31%, a pattern continuing in the current sixth cycle with very-low at 7% versus above-moderate at 68%.

(d) Carlsbad's Housing Choice Voucher caseload has held steady at 513 households through the end of the five-year report period while the average monthly cost rose 26% to $1,340 to keep up with rents – meaning the public is spending one-quarter more just to maintain current assistance levels.

(e) Workload across Carlsbad's community development function during the five-year report period shows the City continues to transition from greenfield to infill development – subdivision maps down (86%), commercial permits down (41%), while discretionary applications – permits to expand, improve, and redo – rose 48% and engineering reviews jumped 340%.

(f) Carlsbad's creation of a standalone Housing and Homeless Services Department during the five-year report period elevates housing – from zoning through affordability programs and homeless prevention – to a core municipal function, and appropriately so.

7.4 Agency's Financial Ability to Provide Services

1. Carlsbad's total operating budget over the five-year report period ending in 2023 has consistently generated a surplus in actual revenues, though this financial cushion has been narrowing.

   (a) Carlsbad has collected an average of $21.4 million more than expenses each year in total agency budget transactions – actual revenues averaging $338.8 million against $317.4 million in expenses. This sizeable period cushion has nonetheless been narrowing with actual revenues growing 24% compared to expenses at 29%.

2. Carlsbad's General Fund remains healthy, generating surpluses in four of the five years during the report period ending in 2023.

   (a) General Fund surpluses have ranged between $5.2 million and $25.9 million – though compressing given expenses rose 34% compared to 26% for revenues, with the pressure led by rising public safety costs.

   (b) The General Fund year-end balance has benefitted from the consistent surpluses generated during the five-year report period, increasing 63% to $136.8 million – an amount equal to covering eight months of actual costs.

3. Consistent revenue surpluses over the five-year report period are reflected in Carlsbad's net position, which has increased each year before closing in 2023 at $1.873 billion – an overall increase of 4%.

   (a) Carlsbad closed with $2.087 billion in total assets, with nearly 44% – or $911 million – in cash and liquid investments, an overall increase of 5%.

   (b) Carlsbad closed with $287 million in total liabilities, with nearly 80% or $227 million involving longer term debt and pension obligations, an overall increase of 22%.

4. Carlsbad's audited financial statements over the five-year report period ending in 2023 show liquidity and debt levels that substantively exceed industry benchmarks, providing the City significant financial flexibility.

   (a) Carlsbad holds extraordinarily high liquidity levels – closing the report period with an overall ratio of 1,353 days of cash on hand, enough to operate for 3.7 years without collecting a dollar in revenue.

   (b) The debt load at the end of the report period equals just one-tenth of Carlsbad's net position and 14% of total assets – more than three times below standard solvency caution thresholds.

5. Carlsbad's infrastructure remains relatively young in accounting terms, though depreciation trends over the five-year report period ending in 2023 show assets' usage has been advancing due to deferred capital improvements.

   (a) Carlsbad's average capital asset age over the report period is 15.9 years – well below the 40–60-year replacement range – but a period-average reinvestment ratio of 74% indicates the City has been reinvesting below replacement levels.

6. Carlsbad has operated within its financial means throughout the five-year report period ending in 2023, with a positive average total margin of 4.3% despite a single-year deficit in 2022 attributable to a nonrecurring transfer involving a loan to its golf enterprise fund.

7. Carlsbad maintains a funded pension ratio above the 70% cautionary threshold at the end of the five-year report period ending in 2023, though a narrowing cushion and declining active-to-retiree ratio signal growing structural pressures.

    (a) Carlsbad finished the report period with 2,509 total enrollees within its two pension programs (miscellaneous and public safety) with CalPERS. The active-to-retiree ratio has steadily declined and closed the period at 0.8 to 1.0, and means active workers are disproportionately funding the system.

    (b) Carlsbad's pension liabilities have grown 28% during the report period while assets increased 25% – contributing to the funded ratio declining (2.3%).

    (c) Some structural relief is underway by way of a cost-shifting attributable to the State's pension reform legislation (PEPRA): the employee share of total contributions over the report period has increased 45% while Carlsbad's share has decreased (6%), and as a result the City's pension contribution as a share of payroll fell by nearly one-third.

7.5 Status of Opportunities for Shared Facilities & Resources

1. Carlsbad participation in the Encina Wastewater Joint Powers Authority continues to advantageously serve the City and other member agencies by balancing local service control with operational efficiencies that would otherwise require duplicative and costly sewer treatment and discharge infrastructure.

2. Carlsbad's participation in the San Diego North Zone Auto Aid Agreement with other agencies – including Camp Pendleton and neighboring cities and districts – enhances public safety throughout North County by deploying the closest available unit regardless of jurisdiction, ensuring residents receive the fastest possible emergency response. Carlsbad also maintains similarly beneficial service agreements with the County of San Diego for fire protection at McClellan-Palomar Airport and with the State for coverage at Carlsbad State Beach.

3. Carlsbad has strategically transformed potential service gaps into community assets through joint-use agreements with local school districts, adding 37.5 acres of recreational space across ten sites. These partnerships help ensure recreational amenities reach neighborhoods where traditional park development might be infeasible. This collaborative approach recognizes that public facilities – whether

owned by cities or school districts — ultimately serve the same taxpayers.

4. The overlapping service boundaries of multiple water and wastewater providers within Carlsbad merit attention by LAFCO. These overlapping boundaries, while historically logical, now result in administrative complexities that could benefit from periodic coordination meetings focused on operational alignment and efficiency.

   (a) Options for consideration range from enhanced coordination protocols to potential consolidation — whether functional or structural — with each approach offering different pathways toward forward progress.

7.6 Local Accountability and Government Restructure Opportunities

1. Carlsbad shows accountability to the public – among other relevant measurements – by effectively meeting community needs, as evidenced by the overall performance of its core service functions examined in this municipal service review through the five-year report period ending in 2023.

   (a) All five service functions examined are guided by contemporary planning documents tied to Carlsbad's relatively new General Plan Update (2015) and are harmonized through the City Council's five-year strategic plan (2022), showing deliberate and open decision-making.

2. Carlsbad maintains a comprehensive network of boards, commissions, and advisory committees to provide guidance on policy development, program implementation, and community priorities - bodies that have proven effective as channels for public engagement and balanced decision-making.

3. Carlsbad appears to maintain an organizational structure appropriately capacitated as measured by its demonstrated attentiveness to external partnerships, resilience in absorbing senior leadership changes, and adaptability in restructuring to meeting evolving City Council priorities.

   (a) Carlsbad senior staff have exhibited a high degree of attentiveness and collaborative engagement throughout the preparation of this report, responding promptly to information requests and working constructively with LAFCO staff to help ensure accuracy and completeness.

(b) The 2025 transition in the City Manager's Office — from Scott Chadwick to Geoff Patnoe — is illustrative of Carlsbad's organizational stability and a byproduct of the City Council's earlier investment in succession planning.

(c) Carlsbad reorganized its organizational structure in 2022 to elevate housing and homeless services from a division into a standalone department – an action that, by all outside appears, has been implemented seamlessly.

4. Two governance matters merit LAFCO's continued attention, each involving the jurisdictional and service irregularities – one along State Highway 78 corridor and one surrounding McCellan-Palomar Airport.

(a) Organic and inorganic growth patterns along the State Highway 78 corridor have created jurisdictional misalignments between Carlsbad and Oceanside where built conditions no longer match municipal boundaries, warranting the Commission's attention to facilitate more rational and orderly service areas.

(b) The McClellan-Palomar Airport presents a distinct governance arrangement that merits LAFCO's attention — a County-owned and operated facility lying entirely within Carlsbad's incorporated limits, where operational authority rests with the County while the City resources local services with limited input over its uses.

7.7 Environmental Justice (Adopted Policy)

1. LAFCO recognizes the connected and disproportionate effects of climate and environmental changes on marginalized – socially or economically – communities in San Diego County.

(a) Among other outcomes, marginalized communities have historically been the first to experience displacement, illness, and death resulting from climate and environmental changes with the former headlined by weather and the latter marked by pollutants.

(b) As appropriate, LAFCO should prioritize future proposals within the Carlsbad region that promote environmental justice and provide benefits - direct and indirect – to marginalized communities.

2. The following determinations are specific to Carlsbad and draw from data provided by the California Environmental Protection Agency:

   (a) Carlsbad's overall pollution burden ranks in the 30th percentile statewide, below San Diego County's 38th percentile, though three indictors – traffic impacts, hazardous waste effects, and impaired water bodies – exceed the 50th percentile, but below the 66th percentile threshold for significance.

      i) Traffic impacts and exposures in Carlsbad rank almost one-fourth higher than the San Diego County average, directly attributable to the I-5 corridor bisecting the community. These impacts create elevated exposure to particulate matter and noise pollution, representing the most significant localized environmental justice concern identified in the assessment.

      ii) Pesticide exposures in Carlsbad rank nearly four times higher than the San Diego County average — a direct consequence of the City's agricultural heritage. While agriculture has largely transitioned to urban uses, residual soil contamination and ongoing agricultural operations continue to present elevated exposure risks in certain areas.

   (b) Carlsbad's overall at-risk population ranking falls in the 9th percentile statewide – well below San Diego County's 37th percentile, and with no individual vulnerability indicators exceeding the 50th percentile threshold.

3. Other material environmental justice factors within the Carlsbad region are informed by the Climate Action Plans (CAPs) adopted by the City of Carlsbad and the County of San Diego and specific to the cascading effects of greenhouse gas emissions.

   (a) Carlsbad's Climate Action Plan (CAP) was first adopted in September 2015, updated in November 2024, and serves as the City's roadmap for reducing greenhouse gas emissions. This document estimates the community's baseline annual carbon emissions at 981,000 metric tons (2016), equivalent to 8.4 metric tons per capita.

   (b) Carlsbad's per capita measurement is the highest among the five North County cities (Carlsbad, Escondido, Vista, Oceanside, and San Marcos) and likely tie to Carlsbad's economic strengths that concurrently drive its carbon challenge:

higher household incomes, prominent commercial and manufacturing activities, and a large tourism and hospitality sector.

4. Future Commission reports should revisit and expand analyses on Carlsbad's policy efforts to reduce greenhouse gas emissions and related efforts to address and promote environmental justice.

APPENDIX – A
BACKGROUND INFORMATION

Community Development

The City of Carlsbad's development traces back to the late 1700s with the establishment of Spanish colonial rule, which later transferred to Mexico. These European powers succeeded the earlier inhabitants – the Luiseño and Kumeyaay bands. The Spanish established El Camino Real (King's Highway) beginning in the early 1770s, creating a transportation corridor extending through the region from San Diego to the San Francisco Bay Area. The mission system followed with the construction of nearby Mission San Luis Rey in Oceanside in 1798. The mission's extensive landholdings encompassed much of what is now Carlsbad.

After Mexico gained independence from Spain in the 1820s, the new government reportedly awarded land grants – known as ranchos – to some Spanish soldiers who had remained loyal and stayed in the region following their service at the missions. One significant grant was awarded to Don Juan Marrón in 1842 – the Agua Hedionda Rancho, which covered a substantial portion of the community's coastline. Following the end of the Mexican-American War in 1848, the rancho underwent a series of leases and subdivisions. In 1860, Robert Kelly acquired a portion of the original ranch and proceeded to deed 40 shoreline acres to the Southern California Railroad. This land transfer facilitated the railroad connection between San Diego and Los Angeles, which was completed by the early 1880s.

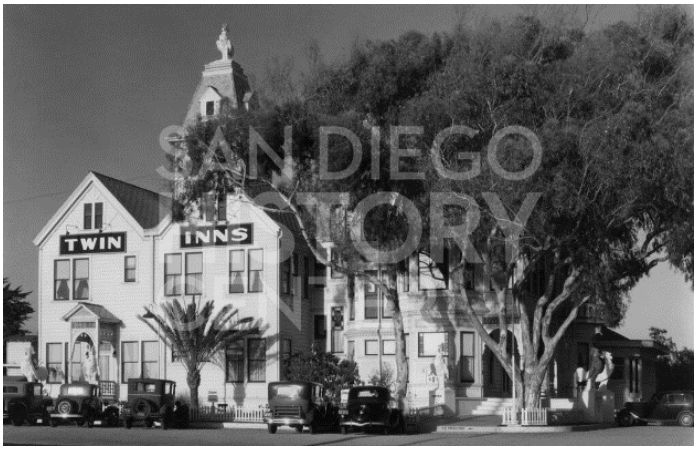
Carlsbad Hotel and Sanitarium
Early Community Tourist Attraction (C-1880)

Credit: San Diego History Center

Historical records document that the railroad's arrival in the early 1880s with concurrent improvements to El Camino Real helped to catalyze the community's evolution toward formal township status. Among the early community leaders was John Frazier, who came to serve as the first station master and established his family on approximately 160 acres south of Buena Vista Lagoon. In 1883, Frazier reportedly discovered a natural mineral spring with waters believed to possess therapeutic properties. Capitalizing on this discovery, Frazier and his business partners formed the Carlsbad Land and Water Company and in doing so imitating the famous spa town of

Karlsbad (now Karlovy Vary) in the Czech Republic. This venture culminated in the opening of the Carlsbad Hotel and Sanitarium in the late 1880s.

Twin Inns in Carlsbad
Early Restaurant + Inn Landmark (C-1930)



Credit: San Diego History Center

As the community of Carlsbad transitioned into the 20th century, it remained a lightly inhabited township with an estimated population of 155 out of a countywide total of 34,987.[88] The community remained a relative afterthought through the early 1900s until Los Angeles' businessmen formed the South Coast Land Company and began actively marketing the north county coastline with the help of locals Ed Fletcher and Frank Salmons. Throughout the 1920s, these efforts centered on purchasing and subdividing extensive land holdings between Del Mar and Oceanside – including the original Carlsbad Land and Water Company properties – while simultaneously securing crucial water rights to the San Luis Rey River. This combination of available land and reliable water sources proved highly attractive to fruit and flower farmers, establishing agriculture as the region's economic foundation. The early emphasis on farming and the growing importance of horticulture shaped residential development patterns through the 1930s, concentrating growth around the existing downtown core that had begun emerging decades earlier along Carlsbad Boulevard (original Highway 101). By 1940, this agricultural-driven expansion had moderately increased the population to an estimated 2,411 residents.[89]

The 1940s marked another pivotal transition for Carlsbad as the community began outgrowing its township status. Residents and businesses increasingly demanded higher levels of municipal services, creating momentum for discussions about cityhood that intensified toward the decade's end. Pertinently, these conversations gained urgency as the population nearly doubled from 2,411 in 1940 to 4,338 by 1950.[90] Community interest in incorporation peaked in 1952 after a devastating fire highlighted the lack of organized fire protection, police, and water services. Newspapers reported during this time the community was largely split in three: (a) those who favored incorporation, (b) those who favored annexation into neighboring City of Oceanside, and (c) those who opposed both and preferred keeping a rural setting.

[88] Reference, U.S. Census, 1890.
[89] Reference, U.S. Census, 1940.
[90] Reference, U.S. Census, 1950.

Incorporation Proceedings

On February 19, 1952, a landowner-petition formally proposing Carlsbad's incorporation was filed and accepted by the County of San Diego Boundary Commission and was done so with a competing annexation proposal to Oceanside being separately filed. The proposed incorporation spanned a seven square mile area to include most of the original Rancho Agua Hedionda territory as well as the downtown area. On June 24, 1952, and after the annexation proposal stalled due to a tie vote, a special election was held and incorporation passed with a slight majority at 781 to 714 with the effective date of July 16, 1952. The first City Council was also elected consisting of Manual Castorena, Raymond Ede, George Grober, C. Dewey McClellan, and Lena Sutton.

THE SAN DIEGO UNION

COUNTY NEWS

Carlsbad Voters O.K. Incorporation

CARLSBAD, June 25 (Special)—Voters here yesterday approved the proposed incorporation of this community of 5200 population.

Unofficial returns show 781 "yes" votes; 715 "no," with 53 absentee ballots to be counted.

Next step is the canvassing of the votes and official approval of the incorporation by the Board of Supervisors and the State of California.

Yesterday's ballot also carried a slate of proposed city officials subject to incorporation taking effect. Councilmen elected were Manuel M. Castorena, Raymond C. Ede, George A. Grover, C. D McClellan and Mrs. Lena M. Sutton.

Edward Hagen was selected city clerk and W. Roy Pace as city treasurer.

Timeline of Notable Post-Incorporation Events

A summary of notable activities undertaken by the City of Carlsbad and/or affecting the City's service area following incorporation in 1952 are provided below.

- Interstate 5 connecting the Cities of Oceanside and Carlsbad opens in November 1953 and provides commute relief for Carlsbad Boulevard (original Highway 101).
- Carlsbad Municipal Water District (CMWD) forms in March 1954 following voter approval – 1,189 yes to 644 no – along with later infrastructure bonds to purchase wholesale supplies from the San Diego County Water Authority.
- San Diego Gas and Electric Company completes the construction of the Encina Power Station with its prominent smokestack in October 1954 in Carlsbad at a cost of $18.0 million and becomes the City's largest property tax contributor.[91]
- Carlsbad Water Department forms in July 1958 after the City acquires Carlsbad Mutual and Terramar Water Companies with personnel becoming City and CMWD employees.

[91] The Encina Power Plant provided energy supplies to the San Diego County region until it was decommissioned in 2018.

- County of San Diego opens Palomar Airport immediately east of the then-Carlsbad boundary in August 1959 and – among other items – facilitates the parallel building of Palomar Airport Road. Although it remains County operated, the Airport is annexed to Carlsbad in 1978 and subsequently renamed Palomar-McClellan Airport.

- U.S. Census estimates Carlsbad's population as of April 1960 at 9,253.

- Cites of Carlsbad and Vista create the Encina Wastewater Authority in January 1961 to build and operate wastewater treatment and disposal facilities and in doing so respond to directives from the Regional Water Quality Control Board.[92]

- Carlsbad adopts an inaugural General Plan in August 1965 with a future population estimate of 48,650 by 2000.

- Carlsbad and County of San Diego – via the Carlsbad Building Authority – commences development plans for the Carlsbad Civic Center in October 1967. The complex is built in separate phases over the next several years.

- Plaza Camino Real opens in May 1969 with 570,000 square feet of retail space with May Co. and J.C. Penney serving as the original anchor tenants.[93] It is subsequently rebranded as The Shoppes at Carlsbad in 2015.

- U.S. Census estimates Carlsbad's population as of April 1970 at 14,944; an increase of 62% over the prior decade.

- The Commission approves Carlsbad's proposal to annex approximately 4,500 unincorporated acres covering the La Costa Rancho area – including the La Costa Resort (now the Omni La Costa Resort & Spa)– in April 1972.

- The Commission establishes a sphere of influence for Carlsbad in June 1978. The sphere is set to include all incorporated lands along with approximately 4,800 adjacent unincorporated acres including – but not limited to – Batiquitos Lagoon.

- U.S. Census estimates Carlsbad's population as of April 1980 at 35,490; an increase of 138% over the prior decade.

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[92] The regional wastewater system comes online in October 1965 at a cost of $4.6 million to serve Carlsbad, Vista, and the unincorporated area within the Buena Sanitation District.

[93] A major expansion in 1980 doubled the facility's size to 1.2 million square feet, anchored by three new department stores: Broadway, Bullocks, and Sears.

- The Commission removes more than 1,000 acres from the Carlsbad sphere as part of the City of Encinitas' approved incorporation in December 1985.

- Carlsbad sponsors Proposition E as an alternative to a citizen's initiative (Proposition G) and passes in November 1986 by 58%. It establishes a growth management plan marked by limiting the total number of housing units to 54,599; it also requires developers to contribute to public facility expansions.[94]

- Carlsbad approves the Pacific Rim Country Club and Resort Master Plan in December 1987 involving approximately 1,400 acres comprising the north side of Batiquitos Lagoon. Subsequently rescaled and renamed the Aviara Master Plan, it establishes development allowances for an upscale residential community with 2,000-plus housing units and commercially anchored by a high-end resort and an 18-hole golf course.

- In January 1990, and after an extended negotiation process between the two agencies, The Commission approves reorganizing CMWD as a subsidiary of Carlsbad. The reorganization precedes an internal restructuring by Carlsbad to convey all City water responsibilities to CMWD while changing the name back from Costa Real Municipal Water District to Carlsbad Municipal Water District.

- U.S. Census estimates Carlsbad's population as of April 1990 at 63,126; an increase of 78% over the prior decade.

- In December 1993, the Commission approves the annexation of the last remaining unincorporated area into Carlsbad, filling the original sphere of influence established in 1978 and marking the end of the City's approximate 20-year period of expansion.

- Four Seasons Resort at Aviara, not Park Hyatt Aviara, opens in September 1998 capping an on-and-off seven-year construction project on a prominent vista overlooking Batiquitos Lagoon.

- U.S. Census estimates Carlsbad's population as of April 2000 at 78,247; an increase of 24% over the prior decade.

[94] Proposition G proposed strict annual limits on new residential construction in Carlsbad: 1,000 dwelling units in 1987, 750 units in 1988, and 500 units annually from 1989 through 1996. (The measure included exceptions for replacement dwellings, remodeling projects, subsidized low-income housing, and senior citizen housing.) Voters narrowly approved Proposition G by a margin of 51% to 49%. However, courts ultimately ruled that Proposition E took precedence, having received more total votes than Proposition G.

- Carlsbad voters approve Proposition D in November 2006 by 51% and assigns open space zoning for more than 200 acres located east of Interstate 5 and north of Cannon Road. A carve-out applies to allow future development of an approximate 50-acre area known as the U-Pick Strawberry Field.

- The Commission completes its first municipal service review covering Carlsbad as part of an all-cities study in March 2008. The Commission proceeds to concurrently confirm a coterminous sphere for Carlsbad.

- Carlsbad voters approve Proposition D in June 2008 by 82% transitioning the City to a charter-law municipality. A subsequent media release by Carlsbad Mayor Bud Lewis states "the charter will make Carlsbad more self-reliant and enable the city to get important community projects done more quickly and for less money."

- U.S. Census estimates Carlsbad's population as of April 2010 at 105,328; an increase of 35% over the prior decade.

- Poseidon Water completes construction and initiates operations at the Claude "Bud" Lewis Carlsbad Desalination Plant in December 2015 and immediately becomes the largest desalination facility in the United States.[95]

- Carlsbad voters reject Measure A as part of a special election held in February 2016 by 52% and in doing so disapproves the controversial "strawberry fields mall" project – a proposed high-end mall development involving agricultural land located east of Interstate 5 and north of Cannon Road.[96]

- The Commission affirms Carlsbad's coterminous sphere of influence in August 2016 while concurrently establishing a special study area comprising an approximate 374-acre unincorporated area located within Encinitas' sphere given access issues and related fire response efforts.

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[95] The Lewis Carlsbad Desalination Plant operates under a public-private partnership established in November 2012 between the San Diego County Water Authority and Poseidon Water. This 30-year agreement commits the County Water Authority to purchasing up to 56,000 acre-feet of treated desalinated water annually from Poseidon at a predetermined rate. Upon the agreement's expiration, the County Water Authority holds an option to acquire the facility for $1.

[96] Los Angeles-based developer Rick Caruso organized the project, seeking approval for a specific plan and related entitlements covering 203 acres. The proposal designated 26 acres for high-end shopping and entertainment facilities with the remaining 177 acres dedicated to open space and agricultural uses, including the U-Pick Strawberry Field. The City Council approved the project in August 2015, but a citizens initiative subsequently forced the matter to a public vote.

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B. CARLSBAD MUNICIPAL WATER DISTRICT

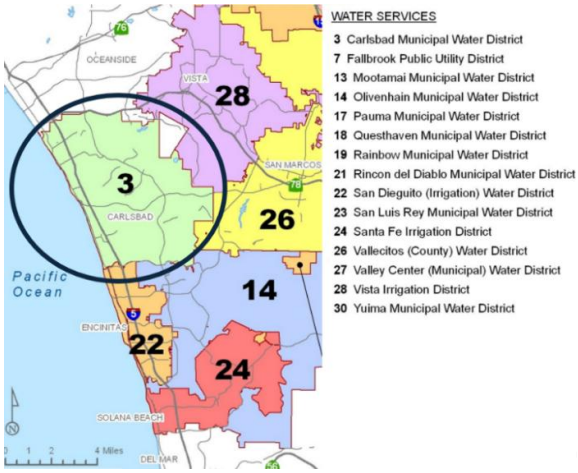
1.0 OVERVIEW

The Carlsbad Municipal Water District (CMWD) operates today as a subsidiary district of the City of Carlsbad, a status established through a LAFCO-approved reorganization in January 1990. This pivotal decision brought closure to a decades-long governance divide that began in March 1954 when residents formed CMWD as an independent agency governed by its own elected board – a structure they believed offered the clearest route to joining the San Diego County Water Authority (CWA) and securing access to imported Colorado River supplies.

Photo Credit: Google Earth

The post-formation years were initially marked by intermittent negotiations, competing jurisdictional claims, and even litigation between the two agencies. The successful reorganization of 1990 represented a significant breakthrough, achieving what previous merger attempts could not. A crucial factor in this success was the City Council's commitment to retain all CMWD employees and convert the elected board into an advisory body. The result facilitated a deliberate restructuring of local authorities effectively aligning parallel institutions under a unified governance framework which aimed to enhance the efficiency and delivery of water service in Carlsbad.

Since 1954, CMWD's jurisdictional boundary has expanded by more than two times its original size. Most of this physical expansion ties to concurrent infill annexations with Carlsbad between 1965 and 1985, accommodating large subdivisions and master-planned communities as the community transitioned from agricultural to suburban land uses. The most recent annexation occurred in 2014. Today CMWD is bounded by the Pacific Ocean to the west and adjacent water providers to the north, east, and south with limited exceptions. CMWD's boundary overlaps with most of Carlsbad except for



incorporated lands south and southeast of the Omni La Costa Resort & Spa. This southern area – covering approximately one-fifth of Carlsbad's incorporated boundary – receives water service from Olivenhain Municipal Water District (OMWD) and, to a lesser degree, Vallecitos Water District (VWD) as well as wastewater and recycled water services from the Leucadia Wastewater District (LWD).

As a LAFCO-designated subsidiary district, CMWD operates under the full governance of the City of Carlsbad while retaining its status as a distinct legal entity with its own taxing authority. The five-member City Council serves dually as the CMWD Board of Directors, addressing water matters during special joint City Council meetings. Day-to-day operations fall on the City's Utilities Department within the Public Works Branch, with the Utilities Director serving simultaneously as the District's General Manager and the City Manager as the District's Executive Manager. Staffing has remained stable throughout the five-year report period ending in 2023, at 44.0 full-time equivalent positions. LAFCO estimates 61,500 registered voters within CMWD's boundary.

CMWD operates under the powers and provisions of California's Municipal Water District Act of 1911 and is one of 12 currently in San Diego County. CMWD currently provides two active municipal service functions – potable water and recycled water.

- Potable Water
  Potable water service dates to CMWD's formation in 1954 and represents CMWD's primary function by resource allocation. CMWD operates as a retail-only provider, purchasing all wholesale supplies from the CWA.[97]

- Recycled Water
  Recycled water service dates to 1991 when CMWD constructed its own recycling facility. The facility treats secondary effluent from Encina Wastewater Authority (EWA) to tertiary standards for retail distribution to local irrigation customers. CMWD also contracts with VWD for supplemental wholesale recycled water supplies.

Both of CMWD's services (potable water and recycled water) operate as enterprise funds and are designed to be self-funded through user fees and charges. During the five-year report period ending in 2023, average annual revenue across both enterprises totaled $55.0 million against corresponding expenses of $54.5 million – a net margin of 0.4%. The combined fund balance for CMWD at the report period's end is $34.9 million and is equivalent to covering 7.4 months of actual operating expenses.

[97] The Executive Officer has limited this review to evaluating only CMWD's potable water system with the expectation under the adopted study schedule that a dedicated evaluation of the recycled water function will be part of an upcoming countywide study.

LAFCO estimates 90,918 full-time residents live within CMWD's jurisdictional boundary as of the end of the report period, representing 82% of Carlsbad's estimated population of 116,428. Since the 2010 census, CMWD has added an estimated 10,002 residents – an average annual growth rate of 1.0%, equivalent to 769 residents annually or 2.1 daily. The total housing stock at the end of the report period stands at 38,503 units, producing a ratio of one home for every 2.4 residents. Since 2010, the CMWD boundary has experienced the addition of 3,042 new housing units, which is well below the historical average at one home for every 3.3 new residents and highlights the evolution of the local housing landscape. Other notable demographic themes follow.

Adjusting Growth + Housing Dynamics ....

CMWD serves an estimated 90,918 residents – 82% of Carlsbad's population – though housing production has not kept pace with growth. The gap between population and housing supply appears reflected in cost pressures: despite median household incomes coming in 40% above the County average at $122,057, housing costs within CMWD consume one-third of household budgets when utilities are added.

- CMWD residents report a median household income of $122,057 based on current five-year report period averages. This amount is slightly above Carlsbad's overall median and significantly - by 40% - higher than the countywide average of $88,240.

- CMWD households spend on average 25% of their income on rent or mortgage payments alone; LAFCO estimates true housing costs rise to 33% of household income when accounting for standard utilities.[98]

2.0 BOUNDARIES + RELATED CONSIDERATIONS

2.1 Jurisdictional Boundary

CMWD's existing boundary totals 32.4 square miles spanning 20,710 acres – covering roughly 82% of Carlsbad's incorporated area and three-fourths of one percent of San Diego County. Approximately nine-tenths of CMWD's perimeter has reached its practical limits, bounded by the Pacific Ocean to the west and neighboring water providers on the remaining sides: Oceanside to the north and northeast, Vista Irrigation District (VID) and Vallecitos Water District (VWD) to the east, Olivenhain Municipal Water District (OMWD to the

Covering 4/5ths of Carlsbad ...

CMWD's jurisdictional boundary largely matches the City of Carlsbad with the notable exception of excluding incorporated lands south and southeast of the Omni La Costa Resort & Spa – a variance of nearly 10 square miles.

[98] The adjusted amount does not include insurance (renters or homeowners) or property taxes (homeowners).

southeast, and San Dieguito Water District (SDWD) to the south. The remaining tenth of the CMWD perimeter lies adjacent to unincorporated lands, primarily the Rancho Santa Fe community, indicating limited potential for future annexations. Elevation ranges from approximately 10 feet to 700 feet above sea level, reaching its highest point along Sitio Oceano in the La Costa Ridge neighborhood.

Map No. B-2.1

CMWD's jurisdictional boundary has expanded more than two times its original size since its formation in 1954. The expansion – totaling approximately 11,000 acres – is the result of a series of annexations with most occurring under LAFCO oversight between 1965 and 1985. Annexation activity has slowed considerably since 2000, consistent with the downward trend in large subdivision activity in the Carlsbad community. The last annexation to CMWD was completed in 2014.[99]

Total assessed value within CMWD has increased 24% during the five-year report period, rising from $25.547 billion in 2019 to $31.621 billion in 2023. This translates to $1.5 million per acre and $348,000 per capita based on an estimated population of 90,918. CMWD's share of the 1% property tax collected within its boundary stands at approximately 1.4% – less than two cents for every dollar – generating about $4.445 million in 2023.[100]

Values Continue to Rise…

Assessed property values (land and structure) in CMWD have increased by 24% during the five-year report period. CMWD's share of the 1% property tax (AB8) is 1.4% and generated $4.5 million in 2023.

The jurisdicitonal boundary is currently divided into 82,263 assessor parcels spanning 17,979 acres.[101] Private ownership accounts for 77% of total parcel acreage. Approximately 70% of these privately owned acres are already developed or substantively improved, albeit not necessarily at the highest density as allowed under zoning. The remaining private acreage – 4,672 acres across 34,256 parcels – remains undeveloped.

Infill Opportunities Remain…

Two-thirds of all privately owned acreage in CMWD has been developed to date, though not necessarily at the highest density. The remaining one-third of private acreage in CMWD remains undeveloped and totals 4,672 acres divided among 34,256 parcels.

Carlsbad Municipal Water District:
Jurisdictional Boundary Characteristics
Table B-2.1a | Source: Esri, American Community Survey, and San Diego LAFCO

Total Jurisdictional Size	20,710 acres
Total Jurisdictional Parcels and Acreage	82,263 parcels totaling 17,979 acres
… Publicly Owned Parcels and Acreage	674 parcels totaling 4,181 acres
… Privately Owned Parcels and Acreage	81,589 parcels totaling 13,798 acres
… Undeveloped Privately-Owned Parcels and Acreage	34,256 parcels totaling 4,672 acres
Total Number of Registered Voters	61,513
Total Assessed Value (Secured, Land and Structures)	$31.6 billion

99 The last annexation to CMWD involved 0.8 acres and identified as the "Carlsbad-San Marcos Reorganization.
100 Amount covers only secured property taxes involving land and structures; unsecured property taxes are also paid to CMWD and include personal assets–such as boats, aircraft, and business fixtures and machinery–as well as in lieu monies from the State (vehicle license fees and excess Educational Revenue Augmentation Fund (ERAF)).
101 The remaining 2,731 jurisdictional acres in CMWD consist of public rights-of-way and waterways.

2.2 Sphere of Influence

CMWD's sphere of influence was established by LAFCO in September 1985. The initial sphere was set as a "larger-than-agency" designation to include all territory within CMWD as well as 120 acres of additional non-jurisdictional lands – all of which were unincorporated and mostly representing "island" areas surrounded by both CMWD and the City of Carlsbad. LAFCO completed subsequent sphere updates in 2005, 2007, and 2013, each time confirming the original designation without changes. Annexations since then have rendered the sphere entirely coterminous with the jurisdictional boundary. No special study areas are currently assigned to the CMWD sphere.

Maintaining Expectations...

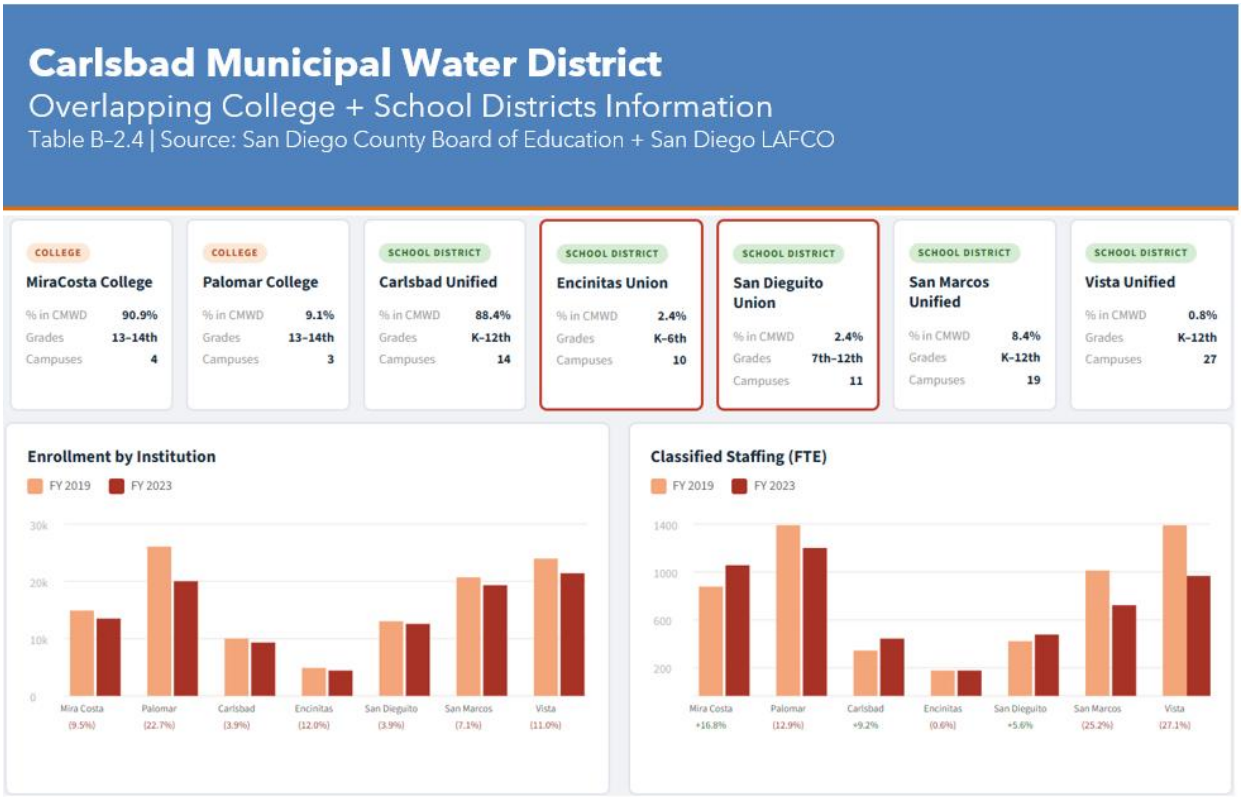
LAFCO established CMWD's sphere of influence in September 1985 with subsequent updates in 2005, 2007, and 2013. All non-jurisdictional acreage from the original sphere has since been annexed, rendering the sphere coterminous with CMWD's boundary. No special study areas are currently assigned to the sphere.

2.3 Relationship to General Plans

CMWD's jurisdictional boundary lies entirely within Carlsbad's incorporated area and subject to the adopted land use policies established in the City's General Plan. Details regarding the Carlsbad's General Plan appear in the City profile prepared as part of this report.

2.4 Relationship to College + School Districts

CMWD's jurisdictional boundary and sphere of influence overlaps with seven college and school districts: MiraCosta College; Palomar College; Carlsbad Unified; Encinitas Union; San Dieguito Union High; San Marcos Unified; and Vista Unified. A summary of growth-related characteristics for each of these districts follows.



3.0 DEMOGRAPHICS

3.1 Population and Housing

LAFCO estimates CMWD's full-time resident population at 90,918 as of the end of the five-year report period in 2023, representing 2.7% of the countywide total. Going back to the 2010 census, CMWD is estimated to have experienced the addition of approximately 10,002 residents – a 12.4% overall increase that translates to an average annual growth rate of 1.0%, or 769 residents per year. This equates to roughly 2.1 new residents daily. Specific to the five-year report period, the growth rate has declined to 0.8% annually – a one-fifth reduction from the longer-term trend. This equates to adding 702 residents each year, or roughly 1.9 daily. Other notable population features follow.

Gentler Growth Curve…

LAFCO estimates CMWD added 3,845 net residents during the five-year report period ending in 2023, bringing the full-time resident population to 90,918. Since the 2010 census, the average annual growth rate has been 1.0%. The annual rate specific to just the five-year report period, however, has adjusted downward to 0.8%.

- The population estimate at the end of the report period produces a density ratio of 4.5 residents for every acre, slightly lower than the 4.7 ratio in Carlsbad.

- LAFCO projects the growth rate will generally hold steady relative to post-2010 patterns and result in CMWD's full-time population reaching 95,323 by 2028.

Carlsbad Municipal Water District:
Resident Population Estimates
Table B-3.1a | Source: Esri, American Community Survey, and San Diego LAFCO

	Calendar Year	CMWD	San Diego County
	2010	80,916	3,095,305
Reporting Period	2019	88,110	3,258,522
	2020	88,216	3,298,625
	2021	88,919	3,307,655
	2022	89,627	3,316,709
	2023	90,918	3,325,714
	2028	95,323	3,371,483
	Population Change, 2010-2023		
	… net change	10,002 or 12.4%	230,409 or 7.4%
	… annual change (avg)	769 or 1.0%	17,724 or 0.6%
	Population Change, 2019-2023		
	… net change	2,808 or 3.2%	67,192 or 2.1%
	… annual change (avg)	702 or 0.8%	16,192 or 0.5%

LAFCO estimates 38,503 residential housing units within CMWD at the end of the report period in 2023. Going back to the 2010 census, it is estimated there have been 3,042 new housing units added to CMWD. This represents an average annual housing construction rate of 0.7%, or approximately 234 new units per year. Specific to the five-year report period, the housing construction rate in CMWD has declined to 0.6% annually – a one-seventh drop from the longer-term trend. This shorter measurement period equates to adding 220 new housing units each year. Materially, housing additions – under either the extended or shorter measurement period – have not proportionally kept pace with population growth within CMWD's jurisdictional boundary. The unit-to-resident ratio stands at 3.3 residents per unit since 2010 and 3.2 over the five-year report period starting in 2019.

Tightening Housing Stock…

It is estimated that 880 new housing units have been added to CMWD's jurisdictional boundary during the five-year report period ending in 2023. When aligned with the corresponding population growth, this translates to adding one new home for every 3.2 new residents – marking approximately a one-quarter decline in relative housing construction based on the historical ratio of 2.4 residents per unit.

Other material housing characteristics follow.

Types | Slightly more than one-fifth – or 21.1% – of all housing units are categorized as traditional single-family. Another 17.6% of all housing units are categorized as multi-family. The remainder of housing units – roughly 61.3% - comprise non-traditional single-family and include townhomes, condominiums, and accessory dwelling units.

Occupancies | Three-fifths – or 58.8% – of housing units are owner-occupied. The remainder are divided between renter-occupied and vacant at 33.9% and 7.3%, respectively.

Costs | The five-year average monthly median housing cost (mortgage or rent only) is $2,547. This monthly amount has increased by $371 – or 17.0% – compared to the prior five-year average of $2,176.

Costs to Income | The five-year average monthly median housing cost (mortgage or rent) equals 25.0% of the median household income.[102] Adjusting for baseline utility expenses – e.g., utilities and insurance – it is projected households' real housing costs equal 32.5% of their monthly income.[103]

Carlsbad Municipal Water District:
Housing Unit Estimates
Table B-3.1b | Source: Esri, American Community Survey, and San Diego LAFCO

	Calendar Year	CMWD	San Diego County
	2010	35,461	1,164,781
Reporting Period	2019	37,623	1,223,578
	2020	37,872	1,230,291
	2021	38,122	1,237,042
	2022	38,373	1,243,829
	2023	38,503	1,247,863
	Housing Change, 2010-2023		
	… net change	3,042 or 8.58%	82,123 or 7.05%
	… annual change (avg)	234 or 0.66%	6,317 or 0.54%
	Housing Change, 2019-2023		
	… net change	880 or 2.34%	24,285 or 1.98%
	… annual change (avg)	220 or 0.58%	6,071 or 0.50%

[102] Median household incomes in CMWD have averaged $122,057 (annual) during the five-year period.
[103] Utilities are calculated by LAFCO staff to equal 7.5% of the median household income and covers the following services: electricity; water; internet; natural gas; phone; and streaming/cable.

3.2 Age Distribution

The median age of CMWD residents stands at 42.9 years based on the most recent available five-year report period average. This figure represents a moderate increase from 41.0 years in the previous period – a 4.4% increase reflecting an ongoing aging trend. This median also remains nearly seven years above the countywide average of 36.3 years. Residents in the prime working age group (ages 25 to 64) account for 52.7% of the CMWD's total population.

Rising Seven Year Gap...
CMWD's median age stands at 42.9 years – nearly seven years above the county average and rising.

Carlsbad Municipal Water District:
Age Distribution
Table B-3.2a | Source: Esri, American Community Survey, and San Diego LAFCO

Factor	CMWD	San Diego County
Median Age (5-year average 2012-2016)	41.0	35.3
Median Age (5-year average 2017-2021)	42.9	36.3
… % Change	4.4%	2.8%
Prime Working Age, 25-64 (5-year average 2012-2016)	54.3%	53.7%
Prime Working Age, 25-64 (5-year average 2017-2021)	52.7%	54.1%
… % Change	(3.0%)	0.7%

3.3 Income Characteristics

The median household income in CMWD is $122,057 based on the most recent available five-year report period average. This amount shows CMWD households are receiving sizable more pay with the median income experiencing an overall increase of approximately 30.2% from the preceding period average of $93,741; a difference of more than two-fifths above the corresponding change in inflation measured for the San Diego-Carlsbad region over the same period.[104] CMWD households' current median income is also more than one-third higher than the current countywide median of $88,240. Other material measurements show the poverty rate – which for a household of four means an income below $31,000 – rose by 4.5% from 8.9% to 9.3%.[105]

Incomes Continue to Increase and Separate...
CMWD residents' median household income increased by nearly one-third during the report period finishing at $122,000. This amount shows CMWD residents earn $1.38 for every $1.00 earned by countywide residents.

[104] The inflation rate for the San Diego-Carlsbad region via the consumer price index is 21.1% between July 2019 and June 2023.
[105] Federal poverty measurement only counts cash income before taxes; it excludes government subsidies (food stamps (EBT), lunch programs, Medicaid, housing, etc.) and disability assistance.

Carlsbad Municipal Water District:
Income Characteristics
Table B-3.3a | Source: Esri, American Community Survey, and San Diego LAFCO

Factor	CMWD	San Diego County
Median Household Income (5-year average 2012-2016)	$93,741	$66,529
Median Household Income (5-year average 2017-2021)	$122,057	$88,240
… % Change	30.2%	32.6%
Poverty Rate (5-year average 2012-2016)	8.9%	14.0%
Poverty Rate (5-year average 2017-2021)	9.3%	10.7%
… % Change	4.5%	(23.6%)

3.4 Others: Unemployment and More

The unemployment rate within CMWD – defined as the percentage of the workforce 18 years or older less students that are jobless – remains comparatively low at 5.8% based on the most recent available five-year report period average. Although this rate has increased by more than two-thirds from the prior five-year report period, it continues to fall below both the countywide rate of 6.6% and the statewide rate of 6.2%. Additional socioeconomic indicators follow.

Healthy Labor Economy…

The average unemployment rate within CMWD during the five-year report period remains low at 5.8% despite absorbing nearly a two-thirds increase over the prior period – still lower than the countywide average.

- Teleworking on the Rise
  The current five-year average rate of the labor force residing in CMWD's jurisdiction working from home is nearly one out of every four people at 23.7%. This amount has more than doubled from the prior five-year report period average of 11.2% and is nearly twice the overall countywide rate of 12.5%.[106] Among other indicators, this suggests shifting consumer patterns and more daytime spending at local businesses.

- College-Educated Majority
  The current five-year average rate of adults (25 years or older) in CMWD's jurisdiction with bachelor's degrees is comparatively high at 57.8% and – among other indicators – suggests greater propensity for civic engagement and community participation. This rate has changed modestly from the prior five-year period but remains more than two-fifths above the overall countywide attainment level of 40.3%.

[106] The observed spike in the share of the labor force working from home is likely attributable to the COVID-19 pandemic, which prompted widespread public health restrictions, workplace closures, and a rapid shift to remote work arrangements.

- Fixed Incomes and More
  The current five-year average rate of residents in CMWD's jurisdiction collecting retirement income – whether through employer pension programs or Social Security – is 21.6%. This rate has increased by almost one-fifth from the prior five-year report period and now closely aligns with the overall countywide rate of 21.2%. Among other indicators, these retirement income levels suggest that approximately one out of every five households in CMWD relies on fixed and stable incomes and likely prefers the status quo with respect to municipal service levels.

Carlsbad Municipal Water District:
Other Socioeconomic Indicators
Table B-3.4a | Source: Esri, American Community Survey, and San Diego LAFCO

Factor	CMWD	San Diego County
Unemployment Rate (5-year average 2012-2016)	3.4%	7.8%
Unemployment Rate (5-year average 2017-2021)	5.8%	6.6%
… % Change	68.2%	(15.4%)
Labor Force Working From Home (5-year average 2012-2016)	11.2%	7.0%
Labor Force Working From Home (5-year average 2017-2021)	23.7%	12.5%
… % Change	112.6%	78.9%
Adults with Four-Year Degrees (5-year average 2012-2016)	54.9%	36.5%
Adults with Four-Year Degrees (5-year average 2017-2021)	57.8%	40.3%
… % Change	5.3%	10.4%
Collecting Retirement (5-year average 2012-2016)	18.6%	17.7%
Collecting Retirement (5-year average 2017-2021)	21.6%	21.2%
… % Change	16.3%	19.8%

3.5 Unhoused Needs and Capacities

Addressed within City of Carlsbad agency profile.

3.6 Environmental Justice

Addressed within City of Carlsbad agency profile.

4.0 ORGANIZATION

4.1 Governance

CMWD operates as a special subsidiary district to the City of Carlsbad with governance controlled by the City Council acting as the CMWD Board of Directors. CMWD's powers and duties are enumerated under Division 20 of California Water Code (Sections 71000 to 72770), known as the Municipal Water District Act of 1911. CMWD is one of 12 water districts

operating under the principal act in San Diego County and one of 37 throughout California. Notable distinctions within the principal act follow.

- Allowed to serve both incorporated and unincorporated lands.
- Allowed to comprise non-contiguous territory.
- Board may have five or seven board members.
- Electoral system based on registered voters.
- Must have appointed general manager to administer day-to-day activities.

LAFCO currently authorizes CMWD to provide two active municipal functions: potable water and recycled water. The Municipal Water District Act, however, grants substantially broader authority. With LAFCO approval, CMWD could extend its operations to include wastewater treatment, fire protection, energy and power generation, and flood and stormwater control. The Act also empowers CMWD with eminent domain authority for acquiring property necessary to their authorized functions.

Powers Granted + Held...

CMWD operates under California's Municipal Water District Act of 1911. While currently limited to potable and recycled water service, the Act grants broader latent authority that could extend to wastewater, fire protection, energy, and stormwater services with LAFCO approval.

CMWD was formed in 1954 as an independent special district governed by its own five-member elected Board of Directors. For thirty-six years, it operated independently until Carlsbad secured LAFCO approval in 1990 to reorganize the agency – then named Costa Real Municipal Water District – as a subsidiary district. The reorganization aimed to streamline water services across the overlapping boundaries and achieve cost efficiencies.

Under the current arrangement, the City Council serves as the CMWD Board of Directors, incorporating CMWD business into the City's regular meeting schedule as a special meeting when needed.[107] The formerly elected Board was initially reconstructed as an advisory body to preserve institutional knowledge. This arrangement proved short-lived and was eventually disbanded, though the specific ending date is not known. The current Council/Board listing follows with additional details – including their baseline compensation – provided in the Carlsbad profile.

Concurrent Governance...

As a result of the 1990 reorganization, the Carlsbad City Council concurrently serves as the CMWD Board. CMWD business is incorporated into Council meetings as needed with Council meetings regularly scheduled on the first three Tuesdays each month at 5:00 P.M. in the Council Chambers located at 1200 Carlsbad, Village Drive.

[107] Councilmembers receive a $100 stipend whenever conducting business for CMWD with a maximum of three stipends per month.

Carlsbad Municipal Water District:
Governing Board as of June 2026
Table B-4.1a | Source: City of Carlsbad

Member	Position	Years on Council	Background
Melanie Burkholder	District 1	2	Secret Service / Mental Health Counselor
Kevin Shin	District 2	<1	Public Safety/Entrepreneur/Veteran
Priya Bhat-Patel	District 3	6	Public Health
Teresa Acosta	District 4	4	Public Relations
Keith Blackburn	Mayor	16	Public Safety

4.2 Administration + Staffing

The CMWD operates under an adopted Ordinance that designates the Carlsbad City Manager as the Executive Manager of CMWD to ensure efficient administration consistent with Board directives. In accordance with the ordinance, the City Manager is responsible for appointing a General Manager to oversee the District's day-to-day operations. It has been a standard practice of the City Manager to appoint the Public Works Branch's Utilities Department Director to serve as the full-time CMWD General Manager, overseeing both active service functions – potable water and recycled water. Vicki Quiram served as the General Manager throughout the entire report period of 2019-2023, with her successor – Amanda Flesse – assuming the position in July 2024.

As of the end of the report period in 2023, through its staffing relationship with the Carlsbad Utilities Department, CMWD is alloacted a total of 44.0 budgeted full-time equivalent (FTE) positions. This figure reflects a slight increase of 2.3% – or 0.5 FTEs – over the corresponding five-year report period. The largest share of budgeted positions at the close of the report period is allocated to potable water services at 30.8 FTEs with the balance of 13.3 FTEs allocated to recycled water services. A budgeted staffing breakdown for the period follows.

Carlsbad Municipal Water District:
Budgeted Staffing Levels
Table B-4.2a | Source: City of Carlsbad

Category	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	Average	Change
Budgeted Staffing*	43.0	43.0	43.0	44.2	44.0	43.5	2.3%
CMWD Population	88,110	88,216	88,919	89,627	90,918	89,158	2.1%
CMWD Staffing Per 1,000	0.49	0.49	0.48	0.49	0.48	0.49	0.0%

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

5.0 MUNICIPAL SERVICE FUNCTIONS

CMWD currently provides two active municipal functions – potable water and recycled water. The LAFCO Executive Officer has limited this review to evaluating only CMWD's potable water system with the expectation under the adopted study schedule that a dedicated evaluation of the recycled water function will be part of an upcoming countywide study.

5.1 Potable Water Service Function

CMWD's potable water service function dates to the agency's formation in 1954. CMWD proceeded to establish access to imported wholesale water supplies by concurrently annexing into the San Diego County Water Authority (CWA) and the Metropolitan Water District of Southern California (MET) shortly thereafter. An initial distribution system was also secured by purchasing a preexisting water system that dated to the 1920s and once operated by the South Coast Land Company. An interim connection to receive CWA imported supplies was made in 1955 through a side agreement with the City of Escondido before a direct connection to the CWA aqueduct was completed in 1956.

Similar but Different…

Like most urban providers in San Diego County, CMWD relies entirely on imported water delivered through regional infrastructure operated by the CWA. However, CMWD is unique as the only local retailer with its own contractual arrangement to receive desalinated supplies from the nearby Claude "Bud" Lewis Desalination Plant.

CMWD's service area initially exceeded the City of Carlsbad to include certain unincorporated areas that required dependable water service to sustain the then-prominent agricultural operations in the community. Today, the boundary relationship has reversed with Carlsbad extending beyond the CMWD boundary now covering only 82% of the City. (The remaining 18% of Carlsbad falls within Olivenhain Municipal Water District (OMWD) and – to a lesser degree – Vallecitos Water District (VWD). LAFCO estimates CMWD's resident potable water service population at the end of the report period in 2023 at 90,918. The following analysis covers resources, capacities and demands, and performance.

Resources |
Budget + Staffing + Rates

CMWD's potable water function operates within the Public Works Branch's Utilities Department. It is organized as an enterprise fund with the structure of being entirely self-sufficient and generating surpluses to reinvest into the water system. During the five-year report period ending in 2023, actual operating revenues for CMWD's potable water function have averaged $46.869 million annually with approximately 84% (about $39.4 million) generated through water sales and other customer-oriented charges as further detailed. Actual operating expenses have averaged $45.549 million annually with the largest component – 57% - tied to wholesale water purchases. Overall, the potable water function has maintained an average operating margin of 2.8% over the period.

Still Up – Narrowing Margins …

Actual operating revenues averaged $46.9 million annually and increased by 4% over the five-year period ending in 2023. Operating expenses averaged $45.6 million and increased 11% – creating a 7-percentage-point gap as expense growth outpaced revenues by nearly 3-to-1.

Carlsbad Municipal Water District:
Potable Water Function: Budget Actuals, FY19 to FY23
Table B-5.1a | Source: City of Carlsbad + San Diego LAFCO

Categories	5-Year Averages
Actual Operating Revenues	
… Average Annual	$46.869 million
… Overall Change	4.3%
Actual Operating Expenses	
… Average Annual	$45.549 million
… Overall Change	10.7%
Average Operating Margin	2.8%

A closer review of budget-to-actual expenses reveals that CMWD's potable water function demonstrated strong financial management during the report period. The function exceeded the Board's adopted budget for only one year (2021), while successfully coming in under budget in the other four years. This strong performance, with an overall variance of 3.1%, equated to a cumulative savings of approximately $1.46 million. These efficiencies highlight CMWD's commitment to prudent fiscal stewardship.

At the end of the report period, budgeted staffing for CMWD's potable water function totals 30.75 FTEs – a slight decrease of 0.05 positions, or (0.2%).

Carlsbad MWD

Potable Water: Budgeted Staffing Levels, FY2019 to FY2023

Table X-5.1b | Source: City of Carlsbad + SD LAFCO

2019	2020	2021	2022	2023
30.8	30.0	30.0	30.8	30.8

RANGE	5-YR AVERAGE	NET CHANGE
0.85 FTEs	30.44	-0.2%

As noted, customer charges accounted for nearly nine-tenths of all revenue generated during the report period. The CMWD's rate structure consists of two fees: a fixed water access charge and a tiered commodity charge, divided among five customer categories: single-family, multi-family, commercial, irrigation, and agricultural. A breakdown of rates and their adjustments during the report period follows.

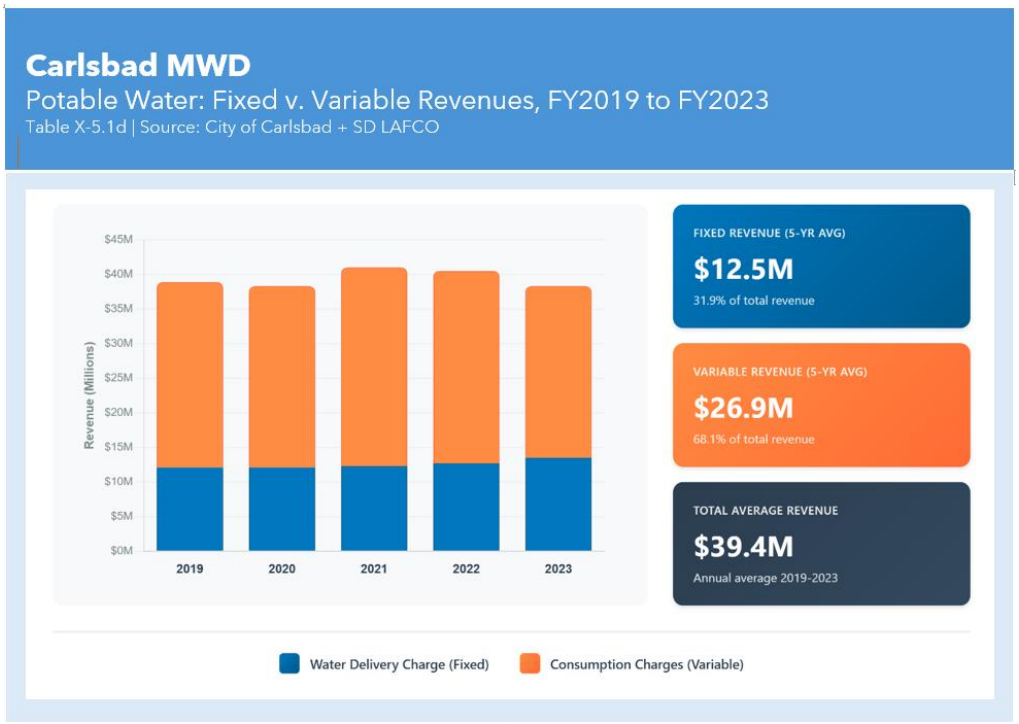
Carlsbad MWD

Potable Water Rates, FY2019 to FY2023

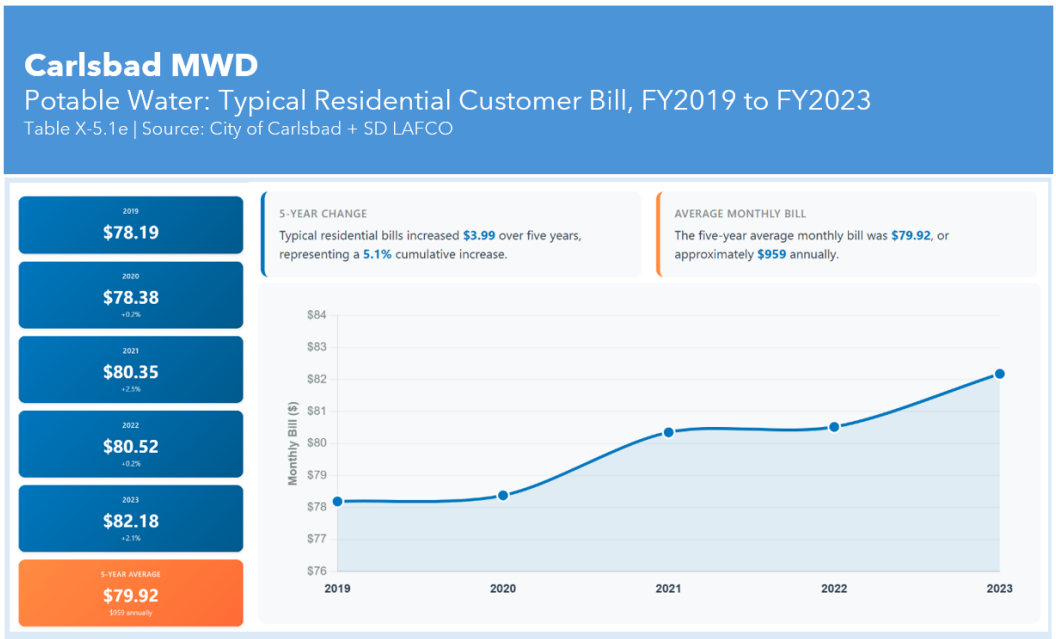
Table X-5.1c | Source: City of Carlsbad + SD LAFCO

CHARGE	2019	2020	2021	2022	2023
Monthly System Access Charge	$24.72	$24.72	$25.52	$27.81	$28.37 +14.8%
Commodity Charges					
Domestic					
Tier 1 (0-10 units)	$3.94	$3.94	$4.13	$3.84	$3.92 -0.5%
Tier 2 (11-18 units)	$4.69	$4.42	$4.51	$4.77	$4.87 +3.8%
Tier 3 (over 19 units)	$7.00	$7.04	$7.18	$7.39	$7.54 +7.7%
Multi-Family Residential					
Tier 1 (0-5 units)	$3.87	$3.87	$3.95	$3.79	$3.87 0.0%
Tier 2 (6-10 units)	$4.67	$4.27	$5.04	$5.89	$6.01 +28.7%
Tier 3 (over 11 units)	$6.97	–	–	–	–
Commercial					
Tier 1	$4.22	$4.27	$4.36	$4.34	$4.43 +5.0%
Irrigation					
Tier 1	$5.16	$5.31	$5.41	$5.47	$5.58 +8.1%
Agricultural	$4.53	$4.62	$4.71	$4.70	$4.80 +6.0%
PSAWR Credit	($0.94)	($0.99)	($0.97)	($1.11)	($1.17) +24.5%

During the report period, revenue generated from customer charges was split approximately 32% fixed to 68% variable and reflected in the following table.



The table below includes a scenario for a typical single-family customer with a 5/8-inch meter using 13 units per month (about 9,724 gallons). The analysis shows the monthly bill at the end of the report period was $82, a 5.1% increase over the report period.

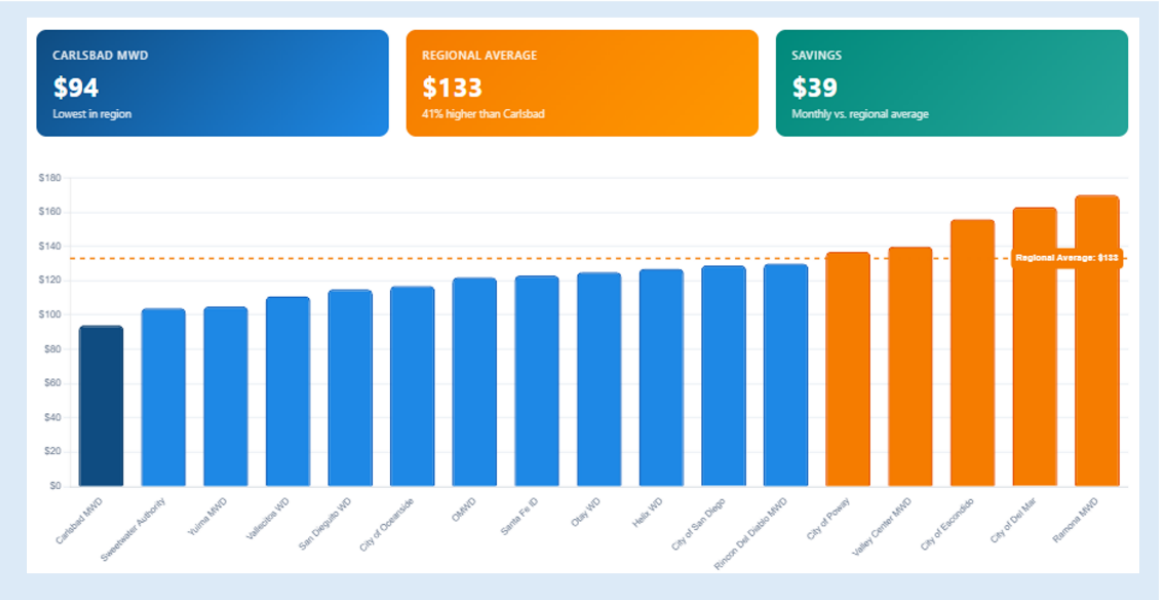


CMWD continued to maintain a rate advantage for its customers, extending beyond the report period ending in 2023. While the typical residential customer's monthly payment was approximately $82 at the end of 2023, rates have subsequently adjusted to about $94 as of early 2025, as reflected in a recent regional survey conducted by OMWD. Despite this increase, CMWD's rate of $94 for 13 units of monthly consumption remains significantly below the $133 regional average for comparable usage and substantially less than customers at neighboring agencies. This favorable rate offers substantial savings to CMWD customers, translating to approximately $40 in monthly savings for the average household. CMWD's commitment to providing cost-effective water service reinforces their dedication to protecting ratepayers.

$40 Difference...

CMWD customers save nearly $40 monthly compared to the regional average – paying 30% less for water than most neighboring agencies based on a post-period regional survey of CWA member agencies.

Carlsbad MWD
Regional Water Bill Comparison:
2025 Survey of CWA Member Agency Monthly Water Bills
Table X-5.1f | Source: Olivenhain MWD + SD LAFCO



Comparative Rate Context

Understanding why CMWD's rates sit below the regional average requires looking beyond the bill comparison itself. San Diego LAFCO's December 2025 Water Rate Comparator Study[108] identifies several agency-specific structural characteristics that tend to push rates higher or lower independent of how well an agency is managed. Applying that framework to CMWD reveals a mix of favorable and unfavorable conditions that together help explain the rate picture above.

On the favorable side, CMWD's system topography is relatively modest – elevation changes within the distribution system span roughly 700 feet, among the lower ranges in the county – limiting the pumping infrastructure and pressure management systems that drive costs higher at inland and hillside agencies. System density, measured as service connections per mile of pipeline, is just above the regional average, allowing infrastructure costs to be spread across a sufficiently concentrated customer base. Development activity within Carlsbad's service area, while not fully quantified due to data limitations noted in the Comparator Study, is expected to be above average, providing some capacity fee revenue that supplements rate-funded capital programs.

Counterbalancing these advantages are two structural cost pressures. CMWD has no access to low-cost local supplies and relies entirely on imported water purchased through CWA – a dependency that makes CMWD's cost structure directly sensitive to regional wholesale rate decisions outside local control, with wholesale purchases comprising 57% of operating expenses during the report period. Additionally, CMWD's take-or-pay contract for 2,500 acre-feet annually from the Carlsbad Desalination Plant – while providing meaningful drought resilience – commits the agency to water that currently costs approximately three times the rate of conventional imported supplies, regardless of actual demand in any given year.

In sum, CMWD holds rates below the regional average despite the above structural cost pressures, aided in part by favorable topography and adequate system density that ease distribution expenses. However, the Comparator Study framework is a relative indicator only and does not evaluate whether any agency's rates are set correctly; it is presented here as structural context for the rate findings above, not as a substitute for the financial analysis contained in this review.

[108] San Diego Local Agency Formation Commission, Special District Advisory Committee, Water Rate Comparator Study Working Group. *Water Rate Comparator Study Report*. Prepared by Kennedy Water Consulting, LLC. December 2025. Available at: https://www.sdlafco.org/home/showpublisheddocument/9294/639074635872970000.

Resources |
Water Supply Sources

CMWD operates without local water supplies and relies entirely on imported sources delivered through regional infrastructure operated by CWA. Additionally, CMWD maintains a contractual arrangement to receive desalinated water supplies from the Claude "Bud" Lewis Carlsbad Desalination Plant. This contractual arrangement anchors CMWD's supply portfolio and provides 2,500 acre-feet (AF) annually under a binding take-or-pay contract. CMWD does not receive the desalinated water directly; instead, it is blended with other imported supplies in CWA's regional aqueduct network before reaching local customers. This strategic arrangement ensures CMWD has a reliable allocation of drought-resistant, locally produced water, enhancing the resiliency in its portfolio.[109]

During the report period ending in 2023, CMWD operated as one of 24 CWA member agencies purchasing wholesale water. This membership subsequently dropped to 22 following the approved detachment of Fallbrook Public Utility District and Rainbow Municipal Water District in 2024. CWA, in turn, holds membership in MET – creating a two-tiered wholesale relationship. This structure ultimately connects CMWD customers to a diverse supply of water sourced from distant watersheds:

- The Colorado River with conveyance from Arizona via the Colorado River Aqueduct and terminal storage at Lake Mathews.
- The Sacramento Bay Delta with conveyance from Northern California via State Water Project and terminal storage at Lake Oroville.

Capacities |
Accessing Water Supply Sources + Treatment

CMWD's membership with CWA does not impose an obligation to take imported water deliveries. Likewise, there is no defined upper limit on deliveries – CMWD may request and receive as much water as needed to meet customer demand, subject only to the capacity constraints of its local infrastructure, as detailed below. Membership with CWA also provides CMWD access to supplies secured through separate agreements involving the All-American Canal (Imperial Irrigation District) and Carlsbad Desalination Plant (Channelside Water Resources).[110] Under these agreements, CWA must pay for the full

[109] Any CMWD demands exceeding the annual 2,500 AF from desalination supplies transition over to CWA's baseline supply portfio.
[110] As a CWA member, CMWD accesses its pro-rata share of desalination water in addition to its contractual obligations.

volume of water under contract, regardless of actual use. Collectively, these supplies provide the CWA – and, by extension, its member agencies – with approximately 328,000 AF per year, supplementing supplies received through MET.[111]

With respect to physical access, CWA – and a portion of Vallecitos Water District – delivers treated potable water to CMWD through a total of four connections called turnouts. (CMWD does not own or operate any potable water treatment facilities.)[112] All water deliveries, except for desalinated supplies, are conveyed from their sources via MET's aqueduct system: Colorado River supplies are transported through the Colorado River Aqueduct while State Water Project supplies from the Sacramento-San Joaquin Delta connect to MET's distribution system in Riverside County. The table below provides details on each turnout, including type and capacity in cubic feet per second (CFS) – where 1 CFS is approximately 449 gallons per minute (GPM).

Carlsbad Municipal Water District
Supplies Available via CWA Turnouts
Table B-5.1g | Source: Carlsbad MWD + SD LAFCO

TOTAL SYSTEM CAPACITY
167 Acre-Feet Per Day

84	37,716	54.3M
CUBIC FEET/SECOND	GALLONS/MINUTE	GALLONS/DAY

	Turnout #2 TREATED	Turnout #3 TREATED	Turnout #4 TREATED	Turnout #6 TREATED
Capacity	20 CFS	20 CFS	14 CFS	30 CFS
Flow Rate	8,977 GPM	8,977 GPM	6,284 GPM	13,465 GPM
Daily Capacity	12.9M Gal	12.9M Gal	9.0M Gal	19.4M Gal

The precise blend of treated water delivered to CMWD varies based on a variety of factors and is entirely controlled by CWA.[113]

[111] The 328,000 AF of annual take-or-pay supplies is the sum of the following contracts: All American Canal Lining at 80,000 AF; Imperial Irrigation District Conservation Program at 200,000 AF; and Carlsbad Desalination Plant at 48,000 AF.

[112] Treated water originates from three different plants owned and operated by others: Twin Oaks Valley Water Treatment Plant (CWA), Lake Skinner Water Treatment Plant (Metropolitan Water District of Southern California), and Claude Lewis Desalination Plant (CWA).

[113] CMWD also maintains 11 interagency potable water connections with other local government agencies: five with Olivenhain MWD; three with Vallecitos Water District; two with the City of Oceanside; and one with Vista Irrigation District. Eight of these interconnections serve water to CMWD and the remaining three allow CMWD to serve water to Vallecitos WD and Vista ID. These connections are unmetered and for emergency uses only. If water is used between these connections the agencies estimate the water use during the emergency period.

Capacities |
Distribution System + Pressure + Storage

CMWD's distribution infrastructure consists of approximately 457 miles of transmission and distribution pipelines – a figure that has remained relatively steady during the five-year report period ending in 2023. The system spans elevations ranging from sea-level to hillside developments reaching 700 feet above. Treated water enters the distribution system through connections (turnouts) to CWA's aqueduct system and flows into a pressurized distribution network designed around CMWD's service area topography. CMWD addresses elevation changes through 74 pressure-reducing stations that create 17 distinct pressure zones. Roughly half of the pressure-reducing stations (37 out of 74) serve as backup or emergency supply points and activated when primary stations require maintenance or are temporarily unavailable. Three potable water pump stations round out CMWD's infrastructure and are primarily used during CWA pipeline shutdowns, circulating stored water through the distribution system.

CMWD's distribution system holds the highest tier classification – "D5" – from the California State Water Resources Control Board's Division of Drinking Water. This classification reflects the relatively high level of coordination required across multiple pressure zones, elevation challenges, and redundant control systems. CMWD also holds a "T2" treatment classification, tied to chloramine disinfection operations at the Maerkle Reservoir – the agency's primary storage facility. Total storage within the distribution system is 242.5 million gallons (MG), equal to 744 acre-feet (AF).[114]

[114] A tenth storage reservoir (D-4), with a capacity of 1.5 MG, was brought online near the D-3 potable water tank and is designated as a recycled water reservoir.

Carlsbad Municipal Water District

Potable Water Distribution System

Table B-5.1h | Source: Carlsbad MWD + SD LAFCO

PIPELINE NETWORK	PRESSURE REDUCING STATIONS	PRESSURE ZONES	STORAGE FACILITIES
457 Miles	**74** Facilities	**17** Distinct Zones	**9** Reservoirs
Transmission and distribution pipelines serving 18,800 accounts	Control points managing pressure across the system at 18 to 110 psi	Separate pressure zones assigned to accommodate 1,000+ feet of elevation change	Include one 21,000 acre-foot lake/dam; reservoir capacities hit 141 million gallons

System Complexity: Carlsbad MWD holds a D-5 classification from the California State Water Resources Control Board — the highest technical complexity rating possible for water distribution systems.

Service Area: Infrastructure serves an estimated 90,016 residents across 20,536 acres within the jurisdictional boundary (excludes annexed portions in Olivenhain community).

Storage Facilities

Nine Potable Water Reservoirs

TOTAL CAPACITY	EQUIVALENT	INCHES
242.5 MG	744 AF	9 IN

Reservoir	Type	Elevation	Capacity	%
Maerkle	CONCRETE	500 ft	195 MG	80.4% of Total
Maerkle Tank	CONCRETE	514 ft	10.0 MG	4.1%
Santa Fe II	CONCRETE	732 ft	9.0 MG	3.7%
La Costa HI	CONCRETE	727 ft	6.0 MG	2.5%
TAP Tank	CONCRETE	473 ft	6.0 MG	2.5%
D-3 Tank	CONCRETE	430 ft	8.5 MG	3.5%
Ellery	STEEL	352 ft	5.0 MG	2.1%
Elm	STEEL	277 ft	1.5 MG	0.6%
Skyline	STEEL	263 ft	1.5 MG	0.6%

Additional features of the distribution system follow.

- CMWD operates a hydroelectric generator on the supply line between CWA connection #3 and the Maerkle Reservoir. This facility has a capacity of 145 kilowatts and operates depending on operational demands and maintenance needs in the Maerkle Reservoir.

- CMWD maintains an asset management program including an ongoing Capital Improvement Program (CIP) focused on reservoir condition assessment and repairs. The program also incorporates a schedule for regular inspection and maintenance activities. Funding for these efforts is allocated in the budget each fiscal year.

Demands

Customers + Usage

CMWD's customer base has largely stabilized as evident by consistency in the number of service connections during the five-year report period ending in 2023. The total active service connections slightly increased 0.7% during report period from 30,236 in 2019 to 30,433 accounts in 2023.[115] The breakdown of connection types at the end of the report period is as follows:

- Domestic: 88.0%
  Residential customers include single-family and multi-family residents and dominate CMWD's connection base. Standard 5/8" meters account for 77% of domestic connections, making it the largest single customer category by a wide margin.

- Commercial: 5.5%
  The second largest account type is commercial and ranges from retail to industry.

- Fire Services: 4.0%
  Connections serving commercial fire suppression systems and residential fire protection infrastructure.

- Agricultural: <0.03%
  Minimal agricultural presence, consistent with CMWD's evolving urban and suburban service territory.

The average age of customer water meters within CMWD is estimated at 10 years. All meters in use are integrated with an Advanced Metering Infrastructure (AMI) system. This system utilizes a network of fixed-base radio towers to collect daily data remotely.

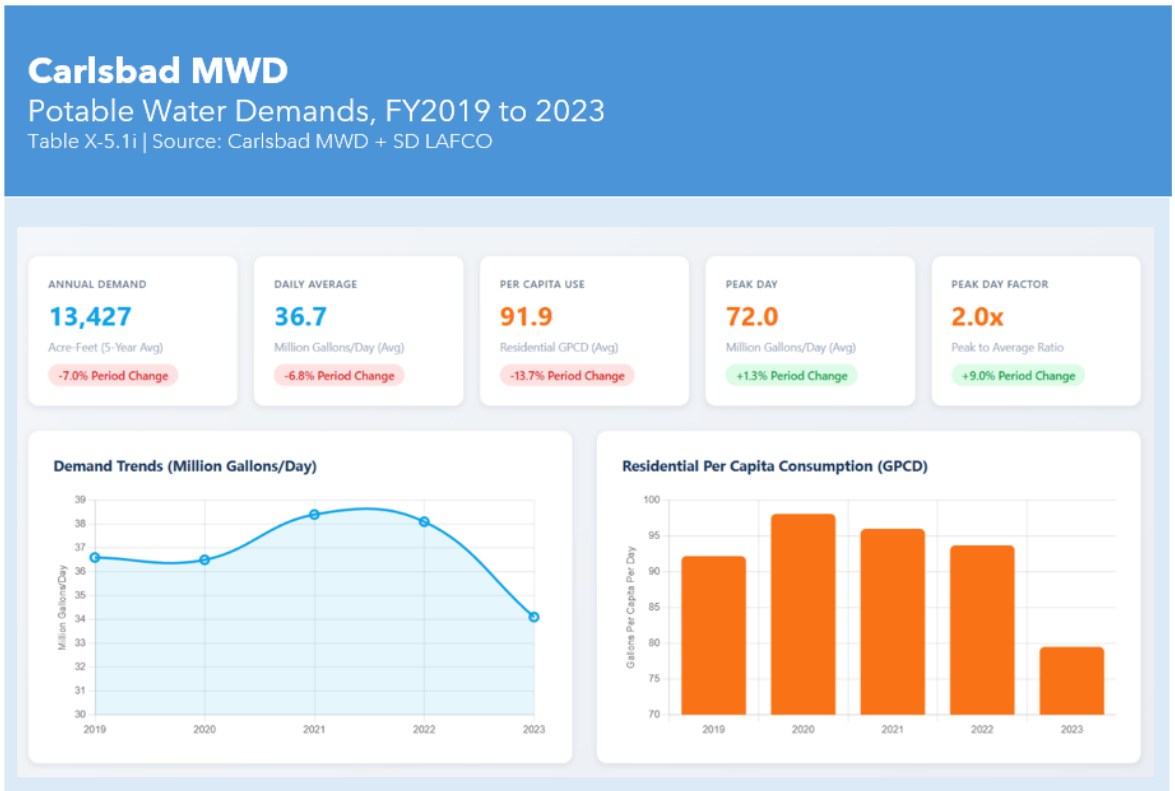
With respect to consumption, CMWD's retail potable water usage demand has averaged 4.32 billion gallons annually during the five-year report period ending in 2023 – equivalent to 13,427 acre-feet. Total annual consumption declined (7.0%) during the report period. A breakdown of daily averages reveals a baseline demand of approximately 12.0 million gallons or 36.78 acre-feet. On a per capita basis,

128 Gallon Per Person ...

Average daily consumption within CMWD during the five-year report period ending in 2023: 128 gallons per person. On peak demand days, the system carries twice the baseline load.

[115] The number of active accounts varies from year to year for reasons such as vacancies in commercial or residential properties and/or redevelopment.

CMWD customers average 128 gallons of consumption daily – translating to roughly 302 gallons per day for a typical household.[116] The average peak-day demand has been 81.6 acre-feet – more than double the typical daily flow. This peaking factor of 2.0 reflects the surge in consumption during hot summer days when demand is routinely at its highest level coupled with elevated tourism.



* Amounts are measured in acre-feet (325,900 gallons equals 1 acre-foot)
** R-GPCD = Average Residential Gallons Per Capita Per Day as reported by CMWD to the SWRCB[117]

Additional observations on usage as follows:

- An extended review of records beyond the five-year report period shows CMWD's annual demand peaked in 2007 at over 21,200 acre-feet. This latter amount is 57% higher than the average during the report period.

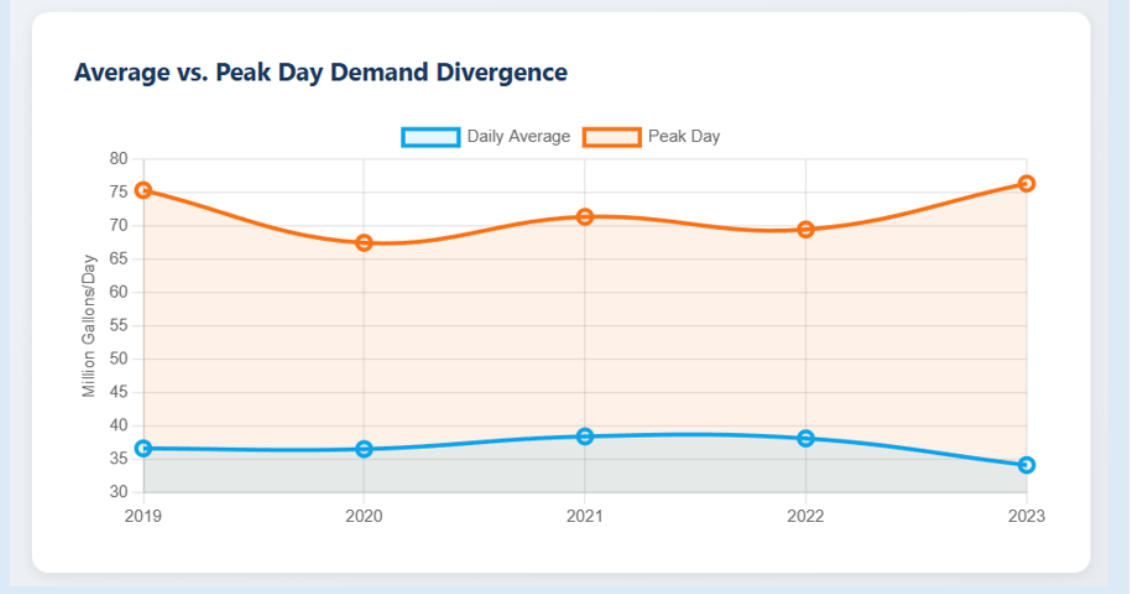
- The decrease in overall demand is attributed to a combination of water conservation measures, recycled water conversions, and the increasing costs of water, which has

[116] Based on Carlsbad CMWD data from 2024: 8,707 AF residential consumption through 25,753 residential water meters.
[117] All water agencies are required to calculate and report the Residential Gallons Per Capita Per Day (R-GPCD) to the State Water Resources Control Board each month. For MWD, the average R-GPCD during the review period has been 113.2 gallons per capita per day.

separately risen by nearly 150% since 2008. While this trend is expected to continue in the near future, the pace of demand reductions is expected to slow.

- CMWD's current Urban Water Master Plan (2020) forecasts potable water demands will total 13,519 AF in 2025 and 17,519 AF in 2040.
- The final reporting year – 2023 – shows the lowest usage across all metrics except peak-day demand. While average daily demand fell to 34.1 million gallons, peak-day demand increased to 76.4 million gallons, suggesting conservation occurs primarily in baseline usage rather than during periods of highest demand.
- The demand arc over the report period appears also influenced by COVID and the work from home order with demands starting to decrease in 2022.

Carlsbad MWD
Average v. Peak Potable Water Demands, FY2019 to 2023
Table X-5.1j | Source: Carlsbad MWD + SD LAFCO



Separate from retail demands, all water service providers experience some level of water loss, defined as the difference between the volume of water entering the distribution system and the volume registered at customer meters. Water loss is generally categorized into two primary components:

- Real losses - physical losses from the system, such as leakage from water mains, service laterals, or tank overflows.

- Apparent losses – non-physical losses resulting from factors such as customer metering inaccuracies, systematic data or billing errors, unauthorized consumption, and unbilled authorized uses (e.g., firefighting).

Each year, public water systems are required to complete a water loss audit in accordance with a methodology developed by the American Water Works Association Water Loss Control Committee. These audits are subject to third-party validation and must be submitted to state regulators. CMWD's most recent water audit was completed in 2023 and shows a total water loss of 4.8%. This level of loss is considered below the industry benchmark and reflects a utility that employs proactive water loss control practices.

Modest Water Losses…

CMWD's most recent water audit was completed in 2023 with results indicating a total water loss of approximately 4.8%. This level of loss is considered below the industry benchmark.

Performance | Syncing Up Resources, Capacities, and Demands

CMWD's potable water function has operated with notable stability over the five-year report period ending in 2023 and marked by minimal volatility in finances, customer counts, and service demands. During this period, CMWD maintained an average operating margin of 2.8% while relying on essentially the same infrastructure and staffing. On average, CMWD generated $46.869 million in annual revenues and held expenditures slightly below at $45.549 million — even while absorbing a double-digit increase in its largest cost: wholesale water supplies from the CWA. This stability is further reflected in CMWD's ability to offset revenue losses tied to a (7.0%) decline in retail water demand by raising rates for most users by 5.1%. – a pattern underscoring a common tension in public water systems where consumption trend downward while fixed costs of maintaining infrastructure remain. Within this context, the symmetry between the (7%) usage decline and 5.1% rate increase highlights CMWD's effectiveness in calibrating revenues even as customers use less water. These and other current and emerging performance themes are detailed below.

Stable Service Connections |

CMWD's potable water demands mirror the character of its service area – a mature and largely built-out environment based on current zoning where growth continues but is incremental and inward-focused. Active service connections remained relatively stable over the five-year report period, from 30,236 in 2019 to 30,433 in 2023, a 0.7% increase. Retail water demand fell more sharply over the same period, down (7.0%) as users did more with less. Residential customers dominate the system at 88% of all accounts with the standard 5/8-inch meter comprising more than three-quarters of the connection base. Daily baseline consumption averages roughly 12.0 million gallons, while peak-day demand reaches 26.6 million gallons – more than double typical flows – driven by summer irrigation and tourism activity.

On a per-capita basis, CMWD customers have averaged 128 gallons of consumption daily, or approximately 302 gallons per household. The downward trends in both connections and consumption reflect sustained conservation efforts, continued expansion of recycled-water service, and the limited supply of undeveloped land under current zoning. These factors are expected to continue moderating demand, though at a slower pace going forward.

Additional Resources |

CMWD's primary role in providing potable water features significant capacity within its supply, transmission and storage networks while consistently meeting demands through the five-year report period ending in 2023. The available headroom is apparent, as CMWD successfully managed annual demands of up to 21,200 acre-feet in the early 2000s, prior to the implementation of conservation measures and recycled-water initiatives that have lowered consumption to an average of 13,500 acre-feet during this report period.

This robust system capacity enables CMWD to respond efficiently to varying demands and ensures reliable, high-quality water supply for existing customers. The alignment of accessible water supplies and current consumption patterns reinforces CMWD's commitment to sustainability and resource management, providing the community with a secure foundation for planning and development activities – now and into the future – while enhancing overall service reliability.

Operating Conditions |

CMWD operates within a set of conditions common to many coastal water service providers in San Diego County, particularly those serving largely built-out areas under current growth policies. As water use has declined over time, agencies like CMWD must continue to align revenues with the fixed costs associated with maintaining and operating essential infrastructure. During the five-year report period ending in 2023, CMWD has responded to these conditions through measured rate adjustments and prudent financial management practices that have supported continued service reliability. In addition, CMWD relies entirely on imported water supplies, which links its cost structure to regional factors outside of local control, including wholesale rate decisions made by CWA. Ongoing regional cost dynamics have contributed to variability in wholesale water rates, which are reflected in member agency rate structures, including those of CMWD.

Comparative Rate Context |

As detailed earlier in this review, CMWD's typical residential rate of $94 per month remains well below the $133 regional average for comparable consumption as of early 2025. The Water Rate Comparator Study provides a framework for understanding the structural factors behind that difference. On the favorable side, CMWD's modest system topography, above-average system density, and anticipated development activity each exert downward pressure on rates relative to peer agencies. Offsetting these advantages are two structural cost pressures: full dependence on imported water – which accounts for 57% of operating expenses and links CMWD's costs directly to CWA wholesale rate decisions – and a take-or-pay desalination contract that commits the agency to water priced at roughly three times the cost of conventional imported supplies regardless of annual demand. CMWD sustaining rates well below the regional average despite these pressures reflects the combined benefit of its favorable operating characteristics.[118]

[118] The Water Rate Comparator Study metrics are relative indicators derived from publicly available data and are intended as comparative tools rather than precise measurements. They do not evaluate whether CMWD's rates are set correctly, nor do they substitute for the agency-specific financial analysis presented elsewhere in this review.

6.0 FINANCES

6.1 Budget and Actuals

CMWD's combined potable and recycled water budgets have averaged $57.240 million annually during the five-year report period ending in 2023. By the final year, budgeted costs reached $60.922 million – a 10% increase from the period start and 6.4% above the five-year average. The allocation between the two service functions remained stable throughout the period. Potable water operations have accounted for approximately $0.82 of every budgeted dollar with recycled water operations receiving the remaining $0.18. Relative to implementation, both functions systematically underspent their adopted budget amounts over the report period with the combined annual average (unspent savings) at $54.538 million, 96.9%. This 3-4% variance remained stable across all five report years.

Potable Water Function

CMWD's potable water function has generated average actual revenues of $46.869 million annually during the report period. Nearly 80% of actual revenues tie to customer charges (water sales and availability fees), an additional 10% from connection fees and penalties, and the remaining 10% from property taxes.[119] Actual revenues reached $47.311 million at the close of the period in 2023 – a 4.3% increase from the period start. On the expense side, actual costs have averaged $45.459 million annually with services and supplies (primarily wholesale water purchases) representing 90% of total expenses while salaries and benefits account for the 10% balance. The function operates with consistent positive margins throughout the period with average annual revenues exceeding expenses of $1.320 million and producing a 2.8% operating margin. Other measurements follow.

- Operating nets ranged from a $3.623 million surplus (2022) to a $1.148 million deficit (2020), with 2023 producing the narrowest margin in the period – $0.044 million.

- Revenue collections shifted from consistently falling short of budget in the first two years 2019-2020 (96.1% to 98.5% of projections) to consistently exceeding budget in years three through five 2021-2023 (100.7% to 107.8% of projections).

- Salaries and benefits increased 19.9% over the period, outpacing the 11.5% growth

[119] All potable water revenues and expenses and their budgeted and actual amounts within this section are taken from FY19-FY23 budget documents presented to the Carlsbad City Council. (Cash basis accounting.)

in wholesale water purchases and 6.9% growth in debt service.

Carlsbad MWD
Potable Water: Budget to Actuals
Table X-7.1a | Source: Carlsbad + SD LAFCO

AVERAGE ANNUAL REVENUES	AVERAGE ANNUAL EXPENSES	AVERAGE ANNUAL NET POSITION
$46.87M	$45.55M	$1.32M
Budget: $46.10M	Budget: $47.02M	Operating Margin: 2.8%
101.66% Accuracy	96.90% Accuracy	Positive Balance
PERIOD CHANGE +4.34%	PERIOD CHANGE +10.66%	RANGE -$1.15M to +$3.62M

	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
REVENUES Budget	$47.17M	$45.30M	$45.58M	$45.47M	$46.99M
REVENUES Actual	$45.34M	$44.61M	$49.14M	$47.94M	$47.31M
	-3.89% variance	-1.52% variance	+7.80% variance	+5.44% variance	+0.68% variance
EXPENSES Budget	$44.22M	$47.21M	$46.13M	$47.82M	$49.72M
EXPENSES Actual	$42.72M	$45.76M	$47.69M	$44.32M	$47.27M
	-3.40% variance	-3.10% variance	+3.40% variance	-7.30% variance	-4.90% variance
NET POSITION	$2.63M	-$1.15M	$1.46M	$3.62M	$0.04M

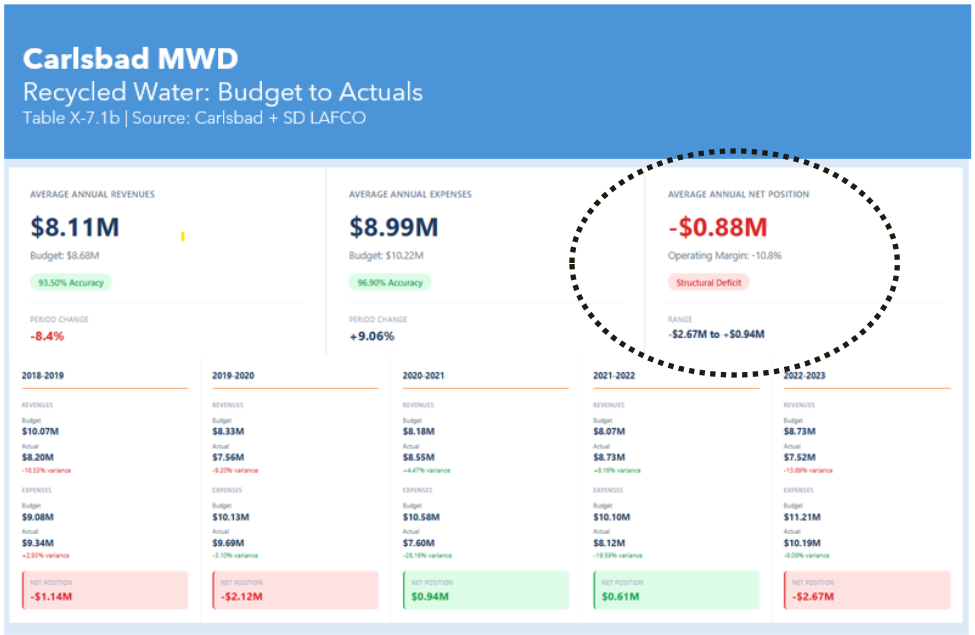
Recycled Water Function

CMWD's recycled water function has generated average actual revenues of $8.112 million annually during the report period with approximately 90% drawn from billable customer charges - including recycled water sales and availability fees and the remaining 10% attributed to interest earnings and miscellaneous sources.[120] By period close in 2023, actual revenues declined to $7.517 million – a (8.4%) decrease from the period start. On the expense side, actual costs have averaged $8.676 million annually with services and supplies (primarily treatment of secondary effluent at the Encina Water Authority to achieve tertiary standards) representing more than 80% of total expenses with salaries and benefits accounting for the balance. Operating deficits were consistent throughout the period with average annual expenses exceeding revenues ($877,000) and producing a negative (10.8%) operating margin. Additional details follow.

- Revenue collections declined throughout the period from $8.203 million in 2019 to $7.517 million in 2023 – a (8.4%) decrease. Year-end deficits occurred in four of five report years with the gap widening in 2023 to ($2.671 million).

[120] All recycled water revenues and expenses and their budgeted and actual amounts within this section are taken from FY19-FY23 budget documents presented to the Carlsbad City Council. (Cash basis accounting.)

- While revenues fell overall by (8.4%), actual expenses increased 9.1% from $9.343 million in 2019 to $10.189 million in 2023. This divergence is driven primarily by increase in supplies and materials costs as opposed to salaries and benefits.

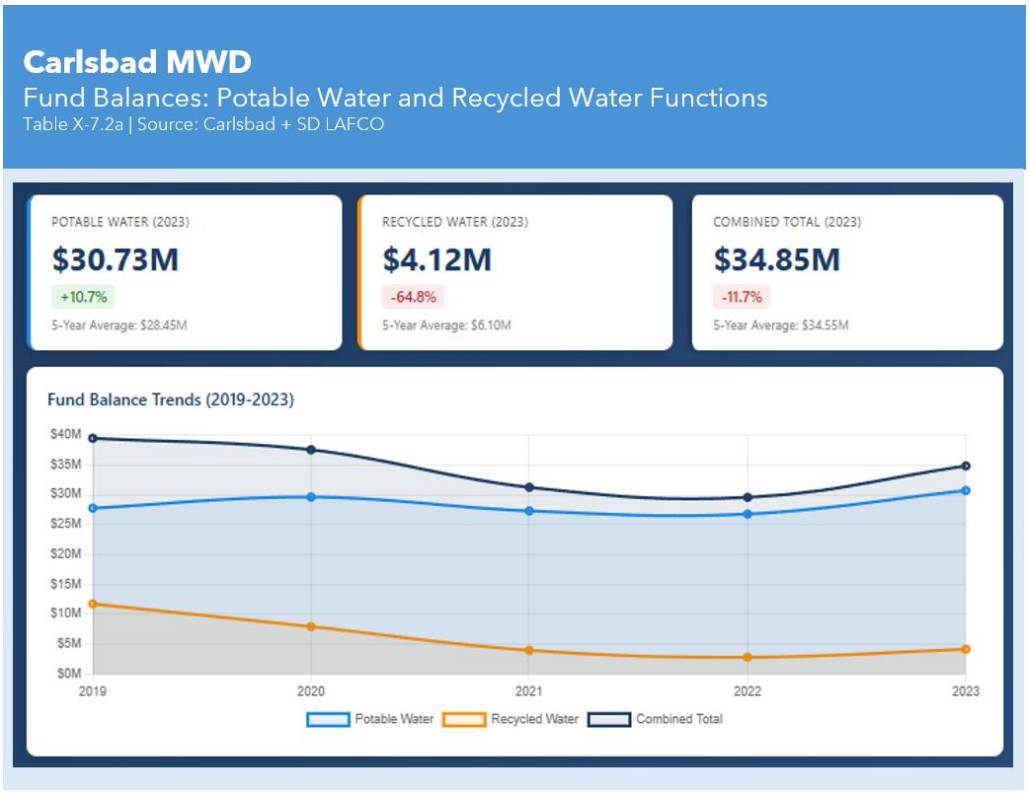


6.2 Fund Balance

CMWD concluded the five-year report period ending in 2023 with $34.849 million in combined unassigned fund balances. This ending amount closely matches the five-year average of $34.547 million with a difference of just less than 1%. Operating as a separate legal entity, CMWD retains the flexibility to transfer resources between its two enterprise operations, subject to Proposition 218 constraints. The combined unassigned fund balance currently provides approximately 7.4 months of operating expenses based on recent actual expenditures during the report period. Additional observations follow.

- The portion of the total fund balance attributed to the potable water function grew 10.7% over the report period, ending at $30.730 million. The portion of the total fund balance attributed to the recycled water function declined (64.8%) over the report period, dropping from $11.720 million to $4.120 million.

The cumulative effect of increasing potable water funds and decreasing recycled water funds has shifted the total fund balance composition: recycled water share has fallen from 30% of the total in 2019 to 12% in 2023.



6.3 Financial Statements

CMWD's financial statements are prepared by the City of Carlsbad and incorporated into the City's annual outside audit. Two firms completed audits during the five-year report period: Davis Farr, LLP (Irvine) covered fiscal years 2019 through 2021 while Lance, Soll & Lunghard, LLP (Brea) covered 2022 through 2023. The final year audit shows CMWD's overall net position – covering all potable water and recycled water activities – increasing 0.8% over the prior year from $322.3 million to $325.0 million. When adjusted to pre-GASB 68 and GASB 75 reporting standards to exclude pension and other post-employment benefit liabilities, CMWD's overall net position rises to $333.1 million, representing a year-over-year change of $8.111 million or 2.5%.[121] The accompanying auditors' management letter identified no material weaknesses in internal controls or financial reporting. Year-end trends for assets, liabilities, and net position during the report period follow.

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

Assets

CMWD concluded 2023 with total assets of $353.117 million and represent a 2.4% increase from the period start and slightly above the period average of $351.084 million. Assets categoried as current with the expectation they are liquidible within one calendar year represents 41.8% of the total and tally $147.727 million at period close. Modest year-to-year change shows during the period with an overall difference of less than 1%. Slightly more substantive differences show in composition with cash and investments decreasing by (3.0%) from $139.285 million to $135.104 million while inventories and prepaid costs collectively increasing by 157.0% from $0.618 million to $1.588 million. Non-current assets represent the remaining balance and tally $205.390 million at period close. Moderate year-to-year changes show during the period with an overall difference of 4.3% and headlined by the introduction of now reporting lease assets.

Measuring Cash + More...

CMWD's total assets remained stable throughout the five-year report period ending in 2023 while improving 2.4% to $353.2 million. On a per capita basis, assets declined slightly by (1.0%) from $3,913 to $3,884 and reflects population growth outpacing asset gains.

Carlsbad Municipal Water District:
Audited Assets
Table B-6.3a | Source: City of Carlsbad ACFRs + San Diego LAFCO

Category	2019	2020	2021	2022	2023	5-yr Average	Change
Current *	147.813	149.141	147.725	145.376	147.727	147.557	(0.06)
Non-Current *	196.990	203.610	204.916	206.730	205.390	203.527	4.2
Total *	$344.804	$352.751	$352.60	$352.106	$353.118	$351.084	2.4%
Per Capita	3,913	3,999	3,966	3,929	3,884	3,938	0.7

* Amounts in millions

Liabilities

CMWD concluded 2023 with total liabilities of $28.294 million. This ending amount represents a (13.9%) decline from the start of the period and 5.1% below the five-year average of $29.828 million. Liabilities categorized as current – those expected to become due within one calendar year – represent 38.6% of the total

Measuring Debts + More...

CMWD's total liabilities decreased substantially by (13.9%) during the five-year report period ending in 2023 and largely due to debt reduction.

at $10.931 million. This portion remained stable throughout the period with an overall variance of just (0.4%) and largely consisting of obligations owed to other government agencies, consistently representing approximately 70% of current liabilities and includes wholesale water payments to CWA. Non-current liabilities make up the remainder and total $17.363 million and consist primarily of long-term debt principal. This category experienced substantial reduction by declining by one-fifth (20.6%) as CMWD paid down obligations.

Carlsbad Municipal Water District:
Audited Liabilities
Table B-6.3b | Source: City of Carlsbad ACFRs + San Diego LAFCO

Category	2019	2020	2021	2022	2023	5-yr Average	Change
Current *	10.978	12.144	11.401	10.809	10.931	11.252	(0.4)
Non-Current *	21.873	20.342	19.582	13.718	17.363	18.576	(20.6)
Total *	**32.850**	**32.486**	**30.983**	**24.526**	**28.294**	**29.828**	**(13.8%)**
Per Capita	373	368	348	274	311	335	(16.2)

* Amounts in millions

Net Position

CMWD concluded 2023 with an overall net position of $325.022 million – representing a 3.5% improvement over the five-year report period and tracking 1.2% above the period average of $321.304 million. The net position reflects the difference between CMWD's total assets and total liabilities while adjusting for deferred pension-related resources. Most of the equity – $191.018 million or 58.8% – remains invested in capital assets with the balance divided between restricted and unrestricted funds. The composition shifted modestly during the report period. Capital assets grew 6.0% while restricted funds increased 5.2%, but unrestricted resources declined (1.6%) from $99.943 million to $98.382 million. When adjusted to exclude GASB 68 and GASB 75 reporting standards – which incorporate CMWD's proportional share of pension and other post-employment benefit liabilities – the net position rises to $333.133 million, reflecting 4.6% period growth. On a per capita basis, net position remained essentially flat at $3,575, increasing 0.3% as population growth of 3.2% nearly matched.

Steady True-Up…

CMWD's audited net position increased over the five-year report period ending in 2023 by 3.5% to $325.0 million. A per capita measurement shows the net position staying largely flat over the period between $3,563 and $3,575.

Carlsbad Municipal Water District:
Audited Net Position
Table B-6.3c | Source: City of Carlsbad ACFRs + San Diego LAFCO

Category	2019	2020	2021	2022	2023	5-yr Average	Change
Capital Assets *	180.167	187.439	191.166	190.526	191.018	188.062	6.0%
Restricted *	33.863	36.009	36.705	34.963	35.621	35.432	5.2%
Unrestricted *	99.943	98.012	95.857	96.854	98.382	97.810	(1.6%)
Total *	$313.970	$321.460	$323.727	$322.342	$325.022	$321.304	3.5%
Net Per Capita	$3,563	$3,644	$3,641	$3,597	$3,575	$3,604	0.3%
Total Adjusted *	$318.465	$326.792	$329.046	$330.450	$333.133	$327.577	4.6%

* Amounts in millions
"Total Adjusted" excludes GASB 68 and 75 reporting requirements

CMWD's unrestricted net position totaled $98.382 million at period close in 2023, representing funds available for discretionary use subject only to internal Board designations such as commitments and assignments. When adjusted to exclude pension and other post-employment benefit obligations, the unrestricted portion rises to $106.493 million – providing a clearer picture of CMWD's actual financial flexibility under accrual accounting. This adjusted amount equals 22.7 months of combined operating expense coverage for both potable and recycled water operations based on recent actual expenditures.

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

LAFCO's review of CMWD's audited financial statements covering the five-year report period ending in 2023 reveals a healthy and stable organization, albeit with some emerging fiscal tensions meriting attention going forward. CMWD maintains exceptional liquidity reserves, minimal debt burdens, and a relatively young capital asset portfolio. However, CMWD has also experienced narrowing margins, and its capital reinvestment has declined to minimal levels. The following sections examine these four measurement categories – liquidity, capital, margin, and asset management – in detail.

Liquidity (Short-Term Outlook)

CMWD maintains exceptional liquidity levels across conventional measurements used by LAFCO as part of the municipal service review program. CMWD's **current ratio** has averaged 13-to-1 during the five-year report period closing in 2023 – equivalent to holding $13 in current assets for every $1 in current liabilities – substantially exceeding the standard 2:1 benchmark floor used for municipal utilities. This ratio also remained stable throughout the period by ending at the same 13:1 level in 2023. The **cash ratio**, which excludes less liquid assets (like receivables) mirrors the current ratio with a period average of 12:1, and shows nearly all of CMWD's current assets are already held as cash rather than receivables or inventory. A more conservative measurement further reinforces CMWD's high liquidity position. CMWD's **days' cash ratio** has averaged 1,053 days during the report period – the equivalent of covering 35 months of operating expense without any new revenue. By the end of the report period in 2023, this measurment modestly decreased to 1,026 days, or approximately 34 months of coverage. Even at this lower endpoint, CMWD maintains nearly three years of operational runway in liquid reserves. Together, these measurements collectively indicate CMWD possesses significant financial flexibility.

Three-Year Cushion...

CMWD maintains 1,026 days of cash on hand at the close of the five-year report period in 2023 – nearly three years of operating expense coverage.

Carlsbad Municipal Water District:
Measuring Liquidity
Table B-6.4a | Source: City of Carlsbad ACFRs + San Diego LAFCO

Category	2019	2020	2021	2022	2023	5-yr Average	Change
Current Ratio	13.5 to 1	12.3 to 1	13.0 to 1	13.5 to 1	13.5 to 1	13.1 to 1	0.4%
Cash Ratio	12.7	11.3	11.8	12.4	12.4	12.1	(2.6%)
Days' Cash	1,109	1,118	980	1,043	1,026	1,053	(7.5%)

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

Capital (Long-Term Outlook)

CMWD maintains exceptionally low debt levels relative to its asset base and net worth. CMWD's **debt-to-net position ratio** has averaged 6.5% during the five-year report period ending in 2023, meaning less than seven cents of every dollar in equity carries debt obligations. This ratio has also trended positively by improving from 7.1% in 2019 to 6.5% in 2023 as CMWD reduced long-term obligations. A complementary measurement reinforces this position. CMWD's **debt ratio** averaged 9.1% during the period and in doing so indicating more than 90% of the agency's assets remain free from debt financing. This metric also improved over the five years by declining from 9.6% to a close of 9.0%. These measurements collectively show CMWD having substantial debt capacity and the ability to increase borrowing without alarm.

Room to Borrow...

CMWD finished the report period in 2023 with low debt burdens. This statement is quantified with CMWD finishing the period with a debt ratio of 9%, which means 91% of the agency's assets are free from debt financing.

Carlsbad Municipal Water District:
Measuring Capital
Table B-6.4b | Source: City of Carlsbad ACFRs + San Diego LAFCO

Category	2019	2020	2021	2022	2023	5-yr Average	Change
Debt-to-Net Position	7.1%	6.4%	6.1%	6.4%	6.5%	6.5%	(8.5%)
Debt Ratio	9.6%	9.2%	8.8%	8.9%	9.0%	9.1%	(6.3%)

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

Margin (Net Income)

In contrast to the strong liquidity and capital measuremets documented above, CMWD's margin performance weakend over the five-year report period ending in 2023, even though revenues continued to exceed expenses. CMWD's **operating margin** has averaged (9.4%), meaning operating revenues recovered approximately $0.91 for every $1.00 spent on day-to-day operations. The measurement fluctuated year to year before weaking sharply to (16.1%) in 2023 – nearly doubling the operating shortfall relative to the period's starting point of (8.1%). The broader **total margin** – which includes all revenues and expenses – has averaged 1.3% during the report period while undergoing a notable shift. The metric started the period at a positive 9.1% in 2019 and finished at (1.4%) in 2023. The overall period trend is (115.2%).

Margins Narrowing…

CMWD's total and operating margin measurements both finished the five-year report period in 2023 weaker than where they started in 2019. Operating margins nearly doubled their shortfall – from (8.1%) to (16.1%) – while total margins started positive at 9.1% and finished negative at (1.4%).

The average annual gap between operating revenues and operating expenses totals approximately $4.1 million and has been offset by CMWD's proportional share of property tax revenues and other non-operating income. Collectively, these measurements – and specifically the widening operating deficit and declining total margins – suggest this offsetting mechanism faces increasing pressure.

Carlsbad Municipal Water District:
Measuring Margin
Table B-6.4c | Source: City of Carlsbad ACFRs + San Diego LAFCO

Category	2019	2020	2021	2022	2023	5-yr Average	Change
Operating Margin	(8.1%)	(10.6%)	(8.8%)	(4.4%)	(16.1%)	(9.4%)	98.2%
Total Margin	9.1%	3.6%	0.2%	(5.2%)	(1.4%)	1.3%	(115.2%)

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

Asset Management

CMWD's capital asset portfolio remains relatively young based on accounting measurements. The average **accounting age of capital assets** during the five-year report period ending in 2023 has been 6.4 years, declining to 6.1 years by period close in 2023. The average **accumulated depreciation ratio**, separately, has been 20.8% over the period and ending at 20.3%, indicating CMWD's infrastructure retains nearly 80% of its useful life. These metrics suggest CMWD maintains assets with substantial remaining service capacity. However, the **capital asset reinvestment ratio** merits attention. The measurement – which compares capital spending to depreciation expense – has averaged 2.3% during the period and declined to 1.0% in 2023, a (48.2%) reduction. This ratio indicates CMWD is spending significantly less on capital improvements than the annual depreciation of its existing infrastructure, and means assets' usage is being expended faster than it is replacing or upgrading systems.

Benefit of Youth...

CMWD's capital assets retain approximately 80% of their useful life with an average accounting age of just 6.4 years at period close in 2023. This relative youth helps mitigate CMWD's otherwise low capital reinvestment ratio, which averaged 2.3% during the period and closed at 1.0% – far below depreciation rates. Nonetheless, the low reinvestment ratio contrasts with CMWD's exceptional liquidity and substantial debt capacity, reflecting a developing tension to track between financial capacity and capital deployment.

Carlsbad Municipal Water District:
Measuring Asset Management
Table B-6.4d | Source: City of Carlsbad ACFRs + San Diego LAFCO

Category	2019	2020	2021	2022	2023	5-yr Average	Change
Capital Assets' Age (Accounting)	7.2	5.9	6.6	5.5	6.1	6.4	(15.1%)
Accumulated Depreciation Ratio	21.9%	20.7%	20.5%	18.8%	20.3%	20.8%	(7.2%)
Capital Asset Reinvestment Ratio	1.9%	0.5%	8.2%	0.3%	1.0%	2.3%	(48.2%)

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

6.5 Pension Obligations

See analysis provided in the profile on the City of Carlsbad.

6.6 Other Post-Employment Benefit Obligations

See analysis provided in the profile on the City of Carlsbad.

7.0 WRITTEN DETERMINATIONS

San Diego LAFCO is directed to prepare written determinations to address the multiple governance factors enumerated under G.C. Section 56430 as part of the municipal service review on the Carlsbad subregion. These determinations are specific to CMWD and serve as independent statements based on information collected, analyzed, and presented in this report. The underlying intent of the determinations is to provide a succinct detailing of all pertinent issues relating to the organization, delivery, and funding of municipal functions and associated classes among the three affected agencies specific to LAFCO's growth management responsibilities and interests.

MSR Determinations...
These determinations address the specific factors required in the statute and represent statements of reasonable facts or deductions made by LAFCO based on information analyzed between 2019 and 2023 and specific to the CMWD.

7.1 Growth Projections & Related Demographics

1. With respect to full-time resident population totals and trends, LAFCO independently makes the following statements.

   (a) Population growth continues. LAFCO estimates CMWD has experienced an overall increase of 3,845 residents during the five-year report period ending in 2023, bringing the full-time population to 90,918. This equates to an average of 702 new residents per year, or almost two per day.

   (b) Since the 2010 Census, LAFCO estimates CMWD's average annual population growth has been 1.0%. The annual rate specific to the five-year report period ending in 2023 is estimated lower at 0.8%

   (c) LAFCO projects the growth rate will generally hold relative to post-2010 patterns

and result in CMWD's full-time population reaching 95,323 by 2028.

2. With respect to housing supply and related growth issues, LAFCO independently makes the following statements.

   (a) LAFCO estimates 880 new housing units have been added to CMWDs jurisdictional boundary during the five-year report period ending in 2023, averaging 176 new homes each year.

   (b) LAFCO estimates during the five-year report period ending in 2023, CMWD added one new housing unit for every 3.2 new residents – a one-quarter decline in relative construction activity compared to the historical rate of one unit for every 2.4 residents. It is important to note that this observation reflects market trends rather than prescriptive guidance for municipal actions.

   (c) LAFCO estimates the five-year average monthly median housing cost (mortgage or rent only) within the CMWD during the report period has been $2,547 – an increase of $371, or 17.0%, compared to the prior five-year average of $2,176. While this trend may highlight housing affordability, it is essential to recognize that many factors contribute to housing costs, such as financial and economic conditions, market pressures and public policy.

   (d) A third of household income goes to housing. LAFCO estimates the five-year average monthly median housing cost (mortgage or rent) plus baseline utilities within CMWD jurisdiction during the report period equals 32.5% of the typical household's monthly income. Overall, the financial challenges are influenced by a variety of economic and social factors beyond housing policy alone.

3. With respect to age distribution and related demographics, LAFCO independently makes the following statements.

   (a) CMWD serves a relatively older and aging population. LAFCO estimates the median age within the CMWD at the end of the report period is 43 years, seven years above the county average. The median age in the CMWD is also rising faster at 4.4% during the report period compared to 2.8% countywide.

4. With respect to income, unemployment, and other related characteristics, LAFCO independently makes the following statements.

   (a) The average household in CMWD earns more than most in San Diego County. LAFCO estimates that median household income in the CMWD has increased by nearly one-third during the report period ending in 2023, reaching $122,000. This translates to CMWD households earning approximately $138 for every $100 earned by the average countywide household.

   (b) Although median household income is among the highest in San Diego County, the poverty rate within CMWD is estimated by LAFCO to closely align with countywide averages – 9.4% compared to 10.7% at the close of the report period. This demographic reflects economic diversity within the CMWD and recognizes there are households experiencing economic hardship at levels similar to the broader county.

   (c) Teleworking continues to rise among CMWD residents. LAFCO estimates nearly one in four members of the labor force – 23.7% on a five-year average – residing in the CMWD work from home during the report period. This rate has more than doubled from the prior five-year average of 11.2% and almost twice the countywide figure of 12.5%.

   (d) CMWD residents have a high share of formally educated adults. LAFCO estimates that an average of 57.8% of residents aged 25 and older within the CMWD hold a bachelor's degree, more than two-fifths higher than the countywide attainment level of 40.3%.

7.2 Location and Characteristics of Any Disadvantaged Unincorporated Communities and Relevant Information on Potable Water + Recycled Water

1. CMWD does not have lands within its existing boundary or sphere of influence qualifying as a disadvantaged unincorporated community – or DUC – under LAFCO policy.

7.3 Capacity of Public Facilities and Infrastructure Needs and Deficiencies

1. With respect to CMWD's potable water function:

(a) Like most urban providers in San Diego County, CMWD relies entirely on imported water delivered through regional infrastructure operated by the CWA. CMWD is unique as it is one of the few local retail agencies, along with Vallecitos Water District, that has its own contractual arrangement to receive a dedicated supply of desalinated water from the nearby Claude 'Bud' Lewis Desalination Plant.

(b) Modest increases in potable water rates. While close to 80% of CMWD's potable water funding during the five-year report period ending in 2023 came from customer payments – both fixed access charges and variable consumption charges – overall rates have remained relatively flat. For the CMWD's largest customer class, single-family homes, the average monthly bill has increased modestly by 5.1% from $78 to $82.

(c) Supply is not a concern with CMWD's infrastructure network providing daily access to up to 127 acre-feet of potable water. The average-day demand during the five-year report period ending in 2023 has been 36.7 acre-feet – less than one-third of the accessible supply.

(d) Peak-day demands within CMWD narrow the potable water supply cushion but remain well above any headroom concerns. The average peak-day demand during the five-year report period ending in 2023 has been 81.6 acre-feet – slightly less than two-thirds of the accessible supply.

(e) Customers are using less water than before. The estimated per capita daily uses within CMWD have decreased by (13.7%) over the five-year report period from 92.2 in 2019 gallons to 79.5 gallons in 2023.

(f) Storage is not a concern. CMWD's nine potable water reservoirs provide a combined storage capacity of 744 acre-feet, which – if needed – could accommodate nine consecutive days of peak-day demand based on averages recorded during the five-year report period ending in 2023.

(g) CMWD outsources all potable water treatment to CWA and does not operate any independent treatment facilities. While this reliance exposes CMWD to treatment-cost adjustments externally set by CWA, it also avoids the substantial capital and long-term operational costs associated with maintaining its own treatment plant.

2. With respect to CMWD's recycled water function:

   (a) LAFCO defers a comprehensive evaluation of CMWD's recycled water function and related infrastructure and facilities to a future countywide municipal service review consistent with the Commission's adopted study schedule.

7.4 Agency's Financial Ability to Provide Services

1. With respect to budget and actuals:

   (a) Steady and predictable. During the five-year report period ending in 2023, CMWD budgeted an average of $57.24 million annually. Actual expenditures have consistently come in 3% to 4% below budget, indicating steady and predictable underspending across both potable and recycled water functions.

   (b) CMWD's potable water function operated with consistent positive margins throughout the five-year report period ending in 2023 with annual revenues exceeding expenses by an average of $1.320 million - a 2.8% margin.

   (c) CMWD's recycled water function has operated with largely negative margins throughout the five-year report period ending in 2023 with annual revenues falling short of expenses by an average of ($877,000) – a (10.8%) margin.

2. With respect to the fund balance:

   (a) CMWD closed the five-year report period in 2023 with $34.849 million in unassigned fund balances, a figure nearly identical to the five-year average. These reserves equal 7.4 months of actual operating expenses.

3. With respect to assets, liabilities, and net position:

   (a) Total assets steadying. CMWD's total assets remained stable throughout the five-year report period ending in 2023, increasing 2.4% to $353.2 million. On a per-capita basis, assets have declined slightly – by (1.0%) from $3,913 to $3,884 as population growth edges overall asset gains.

   (b) Total liabilities decreasing. CMWD's total liabilities declined (13.9%) over the five-year report period ending in 2023. On a per-capita basis, liabilities fell even more

sharply by (16.2%) from $373 to $311 – underscoring the combined effects of population gains and debt reductions.

(c) Total net position stable. CMWD's net position has increased moderately – 3.5% – over the five-year report period ending in 2023, reaching $325.0 million. On a per-capita basis, the net position has remained essentially flat across the period - ranging narrowly between $3,563 and $3,575.

(d) The flat-to-declining per-capita asset measurement warrants attention going forward as CMWD balances its ongoing efforts to limit and reduce debt while also advancing capital investment as its infrastructure ages.

4. With respect to financial performance measurements:

(a) Three-year cushion. CMWD closed the five-year report period in 2023 with 1,026 days of cash on hand – nearly three years of operating expense coverage. This exceptionally high liquidity position provides CMWD substantial flexibility for infrastructure investment and economic uncertainty.

(b) Room to borrow. CMWD closed the five-year report period in 2023 with notably low debt burdens. CMWD closed with a debt ratio of 9%, which means 91% of its assets are entirely free from debt financing.

(c) Narrowing margins. CMWD's operating margins have declined over the five-year report period ending in 2023 from 8.1% to (16.1%). Property tax revenues are now offsetting an approximate $4 million annual operating shortfall and signal increasing pressure on the CMWD's revenue-to-expense structure.

(d) Benefit of youth. CMWD's capital assets have retained roughly 80% of their useful life through the close of the five-year report period ending in 2023. This relative youth in accounting age helps offset the CMWD's low capital reinvestment ratio – which averaged 2.3% during the period and closed at 1.0%, well below annual depreciation rates.

7.5 Status of Opportunities for Shared Facilities & Resources

(a) CMWD avoids duplicative costs that would otherwise be borne through ratepayers by relying on CWA to treat potable water supplies for subsequent retail service

within the CMWD's jurisdiction.

(b) While it is possible CMWD could, over time, recover and reduce costs by constructing its own treatment facilities, relying on CWA allows upfront savings to remain available to current ratepayers; it also supports investment in a regional asset owned and operated by the CWA on behalf of its 22 member agencies.

(c) CMWD maintains 11 interagency potable water connections with other local government agencies that provide reciprocal system resiliency as needed when connection to CWA is disrupted (planned or unplanned): five with OMWD; three with VWD; two with the City of Oceanside; and one with Vista Irrigation District.

(d) LAFCO should evaluate potential opportunities to streamline retail recycled-water service between CMWD and Leucadia Wastewater District, including resolving the current service overlap at the Omni La Costa Resort & Spa, which has been a source of past disagreement.

(e) A scheduled countywide municipal service review on recycled-water service would provide the appropriate venue to evaluate the preceding issue between CMWD and Leucadia Wastewater District, along with other related service and governance considerations across the region.

(f) Without quantifying a precise value – and apart from other considerations – CMWD benefits from economies of scale through its dependent relationship with the City of Carlsbad for staffing and administrative services.

7.6 Local Accountability and Government Restructure Opportunities

(a) The City of Carlsbad's dual governing and administrative role over CMWD provides clear benefits to shared constituents, most notably through cost-savings from consolidated management and the ability to align municipal policy priorities – including land-use decisions – with District operations.

(b) CMWD operates today as a fully embedded unit within the City of Carlsbad's Public Works Branch (Utilities Department). This structure has been functional and efficient since the 1990 reorganization, but it also means the CMWD's independent legal identity – as the public agency responsible for providing potable water and levying related taxes and charges across most of the City – is

not always readily visible to ratepayers or the public.

(c) CMWD is its own legal entity with independent taxing authority; opportunities exist to further distinguish its public identity. Under current practice, CMWD business – and understandably on the basis of efficiencies – is folded into City Council agendas as special meetings of the CMWD Board of Directors, CMWD finances appear within City audit and budget documents, and public communications generally emphasize the City rather than the District as the service provider. Clarifying the District's separate status would strengthen public understanding of local governance and improve transparency around potable-water service.

(d) The preceding assessment is not a critique of CMWD or the City of Carlsbad; it reflects LAFCO's legislative task to facilitate transparency and effective service delivery across all special districts, independent or dependent. Improving visibility into the CMWD's legal and fiscal responsibilities would help ratepayers better understand how potable-water service is structured and funded while reinforcing the value of the City's stewardship of its subsidiary district.

(e) CMWD is authorized under its principal act to provide additional municipal services — most notably wastewater. At an appropriate future juncture, there may be value in evaluating whether activating this latent authority could enhance governance efficiency or administrative coordination for ratepayers.

(f) CMWD was proactive in responding to LAFCO inquiries during preparation of this report. This reflects a culture that prioritizes customer service and, in doing so, reinforce public trust by demonstrating residents' ongoing financial contributions are transparently managed.

7.7 Environmental Justice (Adopted Policy)

Addressed within City of Carlsbad agency profile.

Appendix B - Background Information

Community Development

Development within the present-day boundaries of CMWD began to take shape during the second half of the 19th century following California's statehood in 1850. Early growth centered around the establishment of a small downtown – or "village" – area designed to serve as a commercial hub for the region's emerging agricultural economy and wellness-focused tourism. The latter was prominently driven by the marketing of the area's mineral springs by early Carlsbad patriarch Gerhard Schutte. Infrastructure improvements, including enhancements to El Camino Real and the arrival of the Southern California Railroad in the 1880s, further supported this early growth and led to Carlsbad earning its first U.S. census listing in 1890 with an estimated 155 residents.

Specific to the CMWD's eventual role, water supplies within the Carlsbad community were largely left to residents to develop on their own through private or shared groundwater systems. This also meant an unorganized approach to addressing the increasing challenge of avoiding saltwater intrusion. The costs and technical difficulties of preventing saltwater contamination paired with droughts proved formidable and prompted many residents to leave, ultimately resulting in Carlsbad's removal from the U.S. census in 1900.

The community's dimmed water supply prospects continued well into the 20th century. It was not until the South Coast Land Company appeared in 1913 to purchase the remaining assets of an earlier investment enterprise – the Carlsbad Land and Water Company – and used their more considerable resources to develop the community's first extended water distribution system. This involved investing in a series of groundwater wells several miles upstream within the San Luis Rey River watershed and constructing distribution lines across the Buena Vista Lagoon into Carlsbad. The establishment of a secure water system proved advantageous. It reversed the community's growth fortunes and Carlsbad was once again attracting newcomers by the 1920s with several making use of the favorable climate to attract large investments in agriculture – namely citrus fruits and flowers.

The focus on agriculture helped pace and direct residential development in Carlsbad through the 1930s toward the existing village area that had begun taking form several decades earlier along Carlsbad Boulevard (originally Highway 101). Although moderate, growth within the community continued and led the area to be relisted in the U.S. census in 1940 with an estimated population of 2,411. At the same time, the water system supplying the community had been transferred to the Carlsbad Mutual Water Company, with landowners now having proportional ownership in operating the groundwater-dependent system – a transition that also meant landowners would need to agree to funding needed improvements.

Carlsbad in the 1930s
Aerial of Carlsbad Looking East from the Pacific Ocean, c 1932

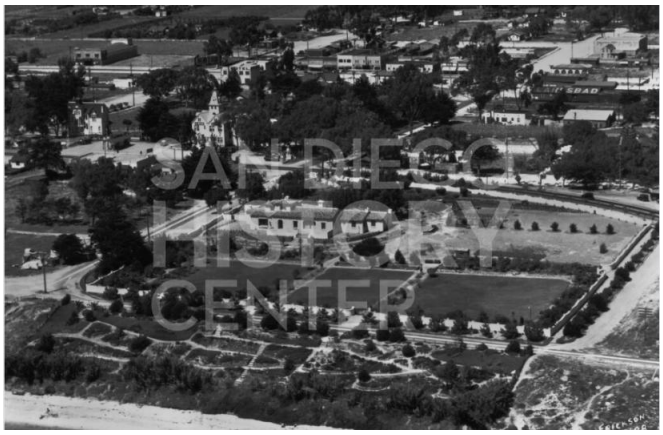
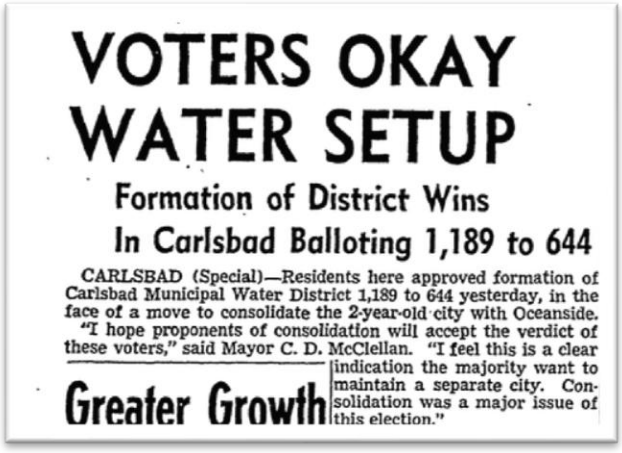


Photo Credit: San Diego History Center

Formation Proceedings

Entering the 1950s, long-standing community interest in incorporating Carlsbad reached a tipping point when residents successfully organized and approved cityhood with official commencement in July 1952. Pertinently, at the time, incorporation proceedings were deliberately structured to exclude authorization for the new municipality to assume control of the Carlsbad Mutual Water System given existing community intentions to organize an independent district to fund the necessary improvements to gain access to the CWA and its newly established access to imported supplies from the Colorado River.

San Diego Evening Tribune
Published on March 12, 1954



VOTERS OKAY WATER SETUP

Formation of District Wins In Carlsbad Balloting 1,189 to 644

CARLSBAD (Special)—Residents here approved formation of Carlsbad Municipal Water District 1,189 to 644 yesterday, in the face of a move to consolidate the 2-year-old city with Oceanside.

"I hope proponents of consolidation will accept the verdict of these voters," said Mayor C. D. McClellan. "I feel this is a clear indication the majority want to maintain a separate city. Consolidation was a major issue of this election."

Greater Growth

A voter petition to form the CMWD was ultimately filed with the County of San Diego in January 1954 and led to a special election on March 11th. Voters approved the CMWD formation with 65% of the vote.[122] An inaugural five-member Board was also elected - William Rogers, Patrick

[122] Of the 1,839 registered voters who cast ballots in the special election, 1,193 voted in support and 646 voted in opposition.

Zahler, Maxwell Ewald, Billy Fry, and Allan Kelly.

Timeline of Notable Post-Formation Events

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

- Carlsbad Mutal Water Company continues operations following CMWD's formation with the expectation of selling its operations to CMWD once it establishes a direct connection to CWA.

- CMWD annexes into the CWA and the Metropolitan Water District of Southern California in June 1954.

- Pending the funding and construction of its own transmission system, CMWD enters into a lease agreement in 1955 to use available capacity within the City of Oceanside transmission to wheel CWA supplies into Carlsbad.

- CMWD voters reject an initial general obligation bond measure to fund $2.0 million to make a 15-mile connection to the CWA and ancillary facilities in August 1955 with 32% in support and 66% needed to pass.

- CMWD voters reject a second proposed general obligation bond measure to fund $1.4 million in a revised construction plans to connect to the CWA in July 1956 with 60% in support and 66% needed to pass.

- CMWD voters approve a third proposed general obligation bond measure to fund $1.3 million in construction costs to connect to the CWA in October 1956 with slightly more than the 66% needed.

- City of Carlsbad – and not the CMWD – assumes water service responsibilities for the established northwest urban City area in 1958 after purchasing the Carlsbad Mutual Water Company. Carlsbad finances the $2.2 million purchase by issuing revenue bonds.

  CMWD voters proceed to approve three additional general obligation bond measures to finance the completion of an initial water treatment, distribution and storage network totaling $2.4 million in 1957 ($0.9 million), 1960 ($0.8 million) and 1961 ($0.7 million).

- The CMWD enters into a wholesale agreement with Carlsbad in June 1972 to provide imported supplies to the City to retail within an approximate 7,000-acre service area purchased earlier from the Carlsbad Mutual Water Company.

- Officially renamed as the Costa Real Municipal Water District in October 1979.

- Carlsbad files with LAFCO to reorganize the Costa Real Municipal Water District in January 1980 to become a subsidiary of the City as a remedy to ongoing disputes over water service responsibilities within the agencies' overlapping boundaries.

- The District enters into a new water service agreement with Carlsbad in May 1983 to clarify water service responsibilities within their overlapping boundaries. The agreement links to existing litigation and – among other provisions – allocates responsibility to the District to plan, finance, and construct all major capital facilities going forward while committing to continue to provide Carlsbad wholesale water supplies.

- LAFCO establishes a sphere of influence for the Costa Real Municipal Water District in September 1985. The sphere is categorized as a "larger-than-agency" designation to include all of the District's boundary as well as approximately 120 unincorporated acres that are largely part of "islands" surrounded by Carlsbad's incorporated boundary.

- In January 1990, and after an extended negotiation process between the two agencies, LAFCO approves reorganizing the District as a subsidiary of the City of Carlsbad. The reorganization precedes an internal restructuring by Carlsbad to convey all City water responsibilities to the District while changing the name back from the *Costa Real Municipal Water District* to the *Carlsbad Municipal Water District*.

- CMWD enters into an agreement in 1991 with Leucadia Wastewater District (LWD) to purchase recycled water supplies on a wholesale basis to retail to the La Costa Resort and Spa (now the Omni La Costa Resort and Spa). The arrangement became a source of conflict beginning in 2013 until LAFCO made a final determination during a hearing in December 2019. CMWD no longer purchases recycled water from LWD.

- CMWD completes construction of the Carlsbad Water Recycling Facility (CWRF) in 2004. This facility marks the CMWD initiating recycled water service and allows the reclaiming of up to 4 million gallons daily of treated wastewater from EWA into tertiary level supplies for local irrigation within the CMWD boundary. An expansion of the CWRF took place in 2017, increasing the capacity to 7 million gallons daily.

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APPENDIX C | TABLE LISTINGS

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B. CARLSBAD MUNICIPAL WATER DISTRICT

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City of Carlsbad

May 22, 2026

San Diego County – Local Agency Formation Commission (LAFCO)
Keene Simonds, Executive Officer
Michaela Peters, Analyst II
Adam Wilson, Consultant
2550 Fifth Avenue, Suite 725
San Diego, CA 92103

RE: Draft Municipal Service Review on the Carlsbad Subregion:
City of Carlsbad and Carlsbad Municipal Water District

Dear Mr. Simonds, Ms. Peters and Mr. Wilson:

Thank you for the opportunity to comment on San Diego County – Local Agency Formation Commission's (LAFCO) Draft Municipal Service Review on the Carlsbad Subregion: City of Carlsbad and Carlsbad Municipal Water District (MSR). The City of Carlsbad appreciates the collaborative approach and work conducted by LAFCO staff over the last 18 months. The positive process initiated by your team began from the first day of the review and extended throughout the entire process.

The steps taken by LAFCO and the approach with our city should be a model for all future MSRs conducted by your Commission. We especially appreciated the opportunity to review early working drafts of the MSR and were grateful for your willingness to address noted concerns or make necessary corrections to the document as the process evolved.

Carlsbad recognizes the important role LAFCO plays in conducting independent assessments of municipal services. We will review the recommendations in the final MSR closely and look forward to working with LAFCO on the future study areas identified in your recommendations.

Again, thank you for the opportunity to work with your staff and provide comments on this important document.

Sincerely,

Geoff Patnoe
City Manager

City Manager's Office
1200 Carlsbad Village Drive | Carlsbad, CA 92008 | 442-339-2820 t

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MARISA K. BARRIE, PE
DIRECTOR

KATHRYN A. STEWART, PE
ASSISTANT DIRECTOR

May 29, 2026

San Diego Local Agency Formation Commission
Atten: Michaela Peters, Project Manager
2550 Fifth Avenue, Suite 725
San Diego, CA 92103

Re: Draft Carlsbad-Encinitas Region Municipal Service Review

Dear Ms. Peters:

On April 14, 2026, the San Diego Local Agency Formation Commission (LAFCO) provided notice that it was completing a Municipal Services Review (MSR) for the City of Carlsbad (City). The Draft MSR made available by LAFCO on April 6, 2026 includes several statements about the purported impacts of McClellan-Palomar Airport (Airport) on the City that are misleading. The Airport is owned and operated by the County of San Diego (County). The County is obligated as a condition of the receipt of Federal Aviation Administration (FAA) grant funds to oppose actions taken by other agencies that could adversely impact Airport operations. (See, for example, FAA Grant Assurance Nos. 5 and 21.) As such, the County respectfully submits the below comments on the proposed MSR.

The MSR states at Section 4.1.10 that the airport influences "municipal resource deployment – particularly public safety services – without corresponding governance control." It also states at Sections 4.1.10 and 4.2, among other places, that the Airport "…generates measurable impacts on local traffic, noise, water utility, and public-safety services without direct City control." A comment on page 56 states that the City's excessive greenhouse gas emissions are attributable to "…McClellan Palomar Airport and a comparatively large business park presence." As a result of these claimed impacts, it is suggested in the MSR that "…LAFCO should evaluate service and governance conditions at the airport…including considering jurisdictional transfer, service agreement, or other mechanisms to better align decision-making authority with impact responsibility." These statements misrepresent 1) the impact of the Airport on the community and coordination of public safety services; 2) the extent of the City's control over the Airport; and 3) the value of a jurisdictional change.

1) <u>No Unmitigated Impact of Airport on Community</u>: On December 8, 2021, the County's Board of Supervisors approved a 20-year Master Plan for the Airport and Recertified a Program Environmental Impact Report (PEIR). No challenge was brought to this

action and the PEIR has become final. The PEIR addressed greenhouse gas emissions, local traffic, noise, water utility, and public safety, among other potential environmental impacts, from anticipated Airport development over the 20-year planning cycle covered by the Master Plan. All Master Plan projects are contained within the existing airport property boundary. All environmental impacts measurable under the California Environmental Quality Act (CEQA), to the extent there were any, have been identified and will be mitigated to a less than significant level before they arise. To suggest that the Airport generates measurable impacts on the community and is a significant contributor to greenhouse gas emissions ignores the substantial and meaningful CEQA review and mitigation implemented by the County.

Regarding service review, the City annexed the airport in 1978 so that it could provide police, fire, and other services consistently throughout the City. (See, September 11, 1978, LAFCO Executive Officer Report on Annexation.) As a result of the annexation, LAFCO determined that the City would receive a portion of general purpose revenue in exchange for providing these services to the Airport. This number has substantially increased over the years as facilities at the Airport have been modernized and commercial facilities in the Airport owned industrial park developed. A Possessory Interest Market Value Report prepared by the County dated June 6, 2025 identified that the City would receive $1,618,398 a year in property taxes alone from Airport operations. Over time, on-site emergency response resourcing has also increased.

Procedurally, McClellan-Palomar Airport's on-site Aircraft Rescue and Firefighting (ARFF) station provides the airport's initial emergency response, ensuring trained personnel and equipment arrive within minutes of an incident. Concurrently, the Air Traffic Control Tower notification system has a direct connect with Fire Departments of the surrounding communities, including Carlsbad, as well as Airport Operations and Management. Palomar Airport's ARFF contract meets the Federal Aviation Administration's (FAA) fire service requirement for current and recently proposed airline operations occurring at the airport. Each year the airport is inspected by the FAA to ensure compliance with safety standards. The airport also conducts a mandatory, full-scale disaster drill that commercial service airports must conduct every three years to test and validate their Airport Emergency Plan. It ensures airport personnel and local first responders are fully prepared for actual, large-scale aircraft emergencies. Palomar just completed this exercise last fall and met all FAA requirements.

2) City Control Over Airport. It is also inaccurate to suggest that the City lacks meaningful input or control over Airport development. On September 11, 1978, the then LAFCO Executive Office recommended approval of the annexation of the Airport into the City. As a condition of the annexation, the County obtained Conditional Use Permit-172 (CUP-172) from the City. This use-permit placed limitations on the development of the Airport without City consent, such as expanding the Airport's current property boundary, and allowed other uses, such as commercial air service

and supporting facilities such as a terminal building, by right. The County continues to operate the Airport in compliance with CUP-172. The County's consent to the City's use permit process gave the City significant input over County land use at the Airport that it otherwise cannot obtain from LAFCO. Government Code 56375(a)(6) makes it clear that LAFCO may "…not impose any conditions that would directly regulate land use density or intensity, property development, or subdivision requirements" as a condition of an annexation.

Moreover, the County created the San Diego Palomar Airport Advisory Committee (PAAC) to provide input to the County's Board of Supervisors regarding development at the Airport. (See, San Diego County Administrative Code 730, et seq.) In response to City concerns about the Airport, the County amended the ordinances creating the PAAC to guarantee two seats on the advisory committee for residents of the City and to give the City the authority to nominate a member. (Admin. Code 731.) PAAC meetings are also held in the City for the convenience of area residents. Additionally, lessees seeking to develop space on the Airport to provide hangars, fuel, restaurant services and other amenities essential to the operation of the Airport are required to obtain building permits from the City. These and other measures give the City substantial input into the development and use of the Airport. This input must, however, be measured against the obligation under federal law to operate the Airport for the benefit of civil aviation.

3) No Value in Jurisdictional Change. The Airport has been developed using FAA grant funds and must be operated for the benefit of civil aviation. FAA Grant Assurance No. 22.a. provides that the Airport owner must "…make the airport available as an airport for public use on reasonable terms and without unjust discrimination to all types, kinds and classes of aeronautical activities, including commercial aeronautical activities offering services to the public at the airport." (Emphasis added.) The City continues to take action to prohibit commercial service at the Airport. If the City were the Airport owner, these actions would violate federal law and FAA grant conditions.

The County is required by Federal Grant Assurances to at all times have a current Airport Layout Plan (ALP) for the Airport. As part of the ALP process, the County is required to identify the design critical aircraft. The design critical aircraft is defined by the FAA as the most demanding aircraft or composite aircraft with at least 500 annual operations. The design critical aircraft for the Airport is the Gulfstream G650, an aircraft with a D-III classification. The County's Airport facilities currently meet a lesser B-II standard. To improve safety for D-III aircraft, the County's ALP identifies a number of improvements, including adding an Emergency Materials Arresting System to the end of the runway, shifting the runway north to provide wingtip separation between planes on the runway and taxiway, and purchasing Runway Protection Zone to protect people and property on the ground in the area immediately beyond the end of runway. The City recently amended its Zoning Ordinance and General Plan to prohibit these activities.

The City's Zoning Ordinance and General Plan amendments would have been illegal if the City were the Airport owner because they significantly delay or prevent safety improvements for the design critical aircraft. Specifically, these actions are contrary to Grant Assurance Nos. 5 and 22. Moreover, the City has joined litigation with a citizen's group alleging that the Airport may not be used for other than General Aviation and that this restriction prohibits commercial service by Part 121 carriers like American and United at the Airport. Aside from the fact that this position is inconsistent with the CUP-172 and likely preempted by federal law, it is wholly inconsistent with federal grant assurances. In short, the City could not represent its residents in the manner it currently does if it also owned the Airport.

There are only two commercial service airports in San Diego County: San Diego International Airport (Lindbergh Field) and McClellan-Palomar Airport; both of these airports are operated by an entity other than the City in which they are located. The separation of responsibility for Airport operations from local City control allows the airports to function as regional assets. McClellan-Palomar Airport not only serves as a commercial service airport connecting airline passengers to domestic and international destinations, but also provides positive economic impacts through jobs, labor income, economic activity, and tax revenue, attracting tourism and local business. Localized concerns over noise, traffic, and other impacts from airport operations may be mitigated through partnership between the City and the operating entity, to the extent legally and safely possible in accordance with FAA requirements.

These community concerns are extremely important to the County and we continue to take measures to address them. As an example, the County maintains and recently expanded its noise monitoring network around the Airport to measure and ensure noise impacts are addressed should they arise. In addition, the County has twice applied to the FAA for noise restrictions on aircraft operations. The FAA rejected the County's request for mandatory restrictions and established the current Voluntary Noise Abatement Program (VNAP). While the VNAP is a voluntary program, the County has established a robust program to inform pilots of the importance of complying with the VNAP though posted notices, pilot education materials, and other measures. The County has also established a noise complaint system and actively investigates complaints. With the addition of noise monitors, increased resources for the Airport's Noise Office program, and dedicated staffing for the Palomar Airport Advisory Committee, the County continues to actively listen to community concerns, aiming to be a responsive, respectful neighbor.

The County hopes that these comments will help inform LAFCO's MSR and recommendations related to McClellan-Palomar Airport. Without the opportunity to provide greater input and insight to the history and current operations of the Airport, the County requests that LAFCO remove any recommendation from the MSR that the Airport be owned by or subject to greater City oversight. The County also requests that the MSR

Draft Municipal Service Review on the Carlsbad Subregion
May 29, 2026
Page 5

be amended to reflect the significant voluntary actions the County has taken from consenting to a CUP, forming the PAAC, and installation of noise monitors, among other good-faith efforts, to ensure City and resident concerns are addressed. Lastly, the MSR should fairly reflect that the impacts of the Airport on City residents have been studied in the Master Plan and PEIR. No unmitigated CEQA impacts are attributable to the Airport. Should LAFCO direct further analysis or implementation of recommendations related to McClellan-Palomar Airport, the County would appreciate the opportunity to participate in conversations to help inform any further recommendations for ownership and/or oversight.

If you should have any questions or concerns about this response, please feel free to contact me at Jamie.Abbott@sdcounty.ca.gov or (619) 318-7091.

Sincerely,

JAMIE L. ABBOTT, *Director of Airports*
Department of Public Works

SANDIEGOCOUNTY.GOV

RESOLUTION NO.___

RESOLUTION OF THE
SAN DIEGO COUNTY LOCAL AGENCY FORMATION COMMISSION
MAKING DETERMINATIONS

MUNICIPAL SERVICE REVIEW ON THE CARLSBAD-ENCINITAS REGION (PART I):
CITY OF CARLSBAD AND CARLSBAD MUNICIPAL WATER DISTRICT (CARLSBAD SUBREGION)

WHEREAS, the San Diego County Local Agency Formation Commission, hereinafter referred to as the "Commission", is a political subdivision of the State of California with regulatory and planning responsibilities to facilitate orderly municipal growth and development under the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000; and

WHEREAS, the Commission is responsible under Government Code Section 56430 to regularly prepare municipal service reviews to independently and comprehensively evaluate the sufficiency of local governmental services to inform its regulatory and other planning activities; and

WHEREAS, the Commission adopted a workplan calendaring projects for 2025-2026; and

WHEREAS, the Commission's Executive Officer and staff prepared a region-specific municipal service review on the Carlsbad area consistent with statute and the adopted workplan; and

WHEREAS, the municipal service review on the Carlsbad subregion covers two local agencies under the Commission's oversight: City of Carlsbad and the Carlsbad Municipal Water District; and

WHEREAS, the Executive Officer's written report on the municipal service review was presented to the Commission in a manner provided by law; and

WHEREAS, the Commission heard and fully considered all the evidence presented at a public meeting involving the municipal service review on April 6, 2026 and June 15, 2026;

WHEREAS, as part of the municipal service review, the Commission is required pursuant to Government Code Section 56430(a) to make a statement of written determinations with regard to certain factors.

NOW, THEREFORE, BE IT RESOLVED, the Commission hereby finds, determines, and orders the following:

1. The Commission determines this municipal service review is a project under the California Environmental Quality Act but qualifies for an exemption from further action as an informational document consistent with State Guidelines Section 15306.

2. The Commission has duly considered the Executive Officer's written report on the municipal service review and recommendations therein on the availability, need, and sufficiency of public services provided within the Carlsbad subregion relative to community needs.

3. The Commission independently makes all of the written determinations provided in the Executive Officer's written report on the municipal service review on the Carlsbad subregion pursuant to Government Code Section 56340.

PASSED AND ADOPTED by the Commission on June 15, 2026 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAINING:

ATTEST:

_____
Keene Simonds
Executive Officer

Substantive Revisions to Carlsbad Subregion MSR

- Page 19 – Revised to give context to extended review period window for Part II covering the Encinitas region

Looking Back

Determining the Report Period + Data Collection Window

The report period for this analysis primarily covers a five-year span covering fiscal years 2019 through 2023, with limited exceptions where additional context is warranted. For example, population and housing demographics extend back to the 2010 Census to support longer-term trend interpretation. This five-year financial data window is based on the most recently available audited financial statements at the time the analysis commenced and aligns with the Commission's five-year review cycle. It reflects the foundational methodological premise that recent trends provide the most reliable basis for near-term projections.

Informing Years...

The analysis primarily draws on a five-year data window from 2019 through 2023, with the latter year selected based on the most recently available audited financial statements at the time of commencement. This five-year window creates a methodological mirror: what happened recently is the best guide to what's likely next.

Collectively, this period serves as the primary analytical baseline for Part I of the report (Carlsbad and CMWD), which reflects an already extensively reviewed dataset and established analytical framework. Part II (Encinitas, Leucadia Wastewater District, Olivenhain Municipal Water District, and San Dieguito Water District) incorporates an expanded data window through fiscal year 2025 based on Commission feedback.

~~The report period for this analysis covers fiscal years 2019 through 2023, with limited exceptions. For example, population and housing demographics extend back to the 2010 census for additional context. This five-year data window – based on the most recently available audited financial statements at the time of commencing the analysis – aligns with the Commission's five-year review cycle and reflects a fundamental methodological premise: recent trends provide the most reliable foundation for near-term projections. Put simply, data from the last five years is most relevant for forecasting for the next five years.~~

- Page 29 – Added new conclusion/key theme

4.1.11 Data Gap in Context

The analysis rests on a five-year data window covering fiscal years 2019 through 2023, selected as the most recent audited period available at commencement. By the time both the analysis and the policy-prescribed administrative review conclude, two additional completed fiscal years sit outside that window – a gap the Commission should weigh deliberately. Nothing observed across the reporting period suggests the intervening years would alter foundational recommendations or determinations. Across all evaluated functions, the City of Carlsbad shows stable governance, adequate service capacities, and relatively sound financial footing. The watch-items the report does identify are slow-moving structural patterns rather than acute disruptions – trends two additional years of data would more likely confirm than overturn. On this basis, staff concludes the existing record provides a reasonable foundation for completing the municipal service review as presented, without extending the data window – with the next periodic review serving as a Commission-safeguard should conditions shift.

- Page 31 - Addressed Palomar Airport Comment Letters (City + County)

4.2.5~~.~~ Evaluate Governance Alignment at McClellan-Palomar Airport

~~The~~ McClellan–Palomar Airport, owned and operated by the County of San Diego but located within~~yet fully surrounded by~~ Carlsbad, generates measurable impacts on local traffic, noise, water utility, and public-safety services without corresponding~~direct~~ City control over its operation or expansion. In advance of the next review cycle, ~~-~~LAFCO should evaluate service and governance conditions at the ~~airport and~~airport and offer to convene and facilitate the County and the City in exploring a more equitable service arrangement ~~- in advance of the next review cycle,~~ including ~~consideration of jurisdictional transfer,~~ service agreements, operational coordination, and any~~agreement, or~~ other mechanisms the parties identify ~~-~~ to better align decision-making authority with ~~impact~~ responsibility for local impacts. ~~-~~

- Page 35 – Added new conclusion/key theme

5.1.9 Data Gap in Context

The analysis rests on a five-year data window covering fiscal years 2019 through 2023, selected as the most recent audited period available at commencement. By the time both the analysis and the policy-prescribed administrative review conclude, two additional completed fiscal years sit outside that window – a gap the Commission should weigh deliberately. Nothing observed across the reporting period suggests the intervening years would alter foundational recommendations or determinations. Across the functions evaluated, Carlsbad MWD shows stable governance, adequate service capacity, and sound financial footing. The watch-items the report does identify are slow-moving structural patterns rather than acute disruptions – trends two additional years of data would more likely confirm than overturn. On this basis, staff concludes the existing record provides a reasonable foundation for completing the municipal service review as presented, without extending the data window – with the next periodic review serving as a Commission-safeguard should conditions shift.

- Page 58 - Revised call-out box

High Footprint + High Ambitions...

Carlsbad's per capita carbon footprint of 8.4 metric tons is the highest among ~~exceeds all~~ North County cities – a figure that reflects the City's comparatively large commercial and industrial base, including ~~influenced by the inclusion of~~ McClellan-Palomar Airport, an extensive ~~and a comparatively large~~ business park presence, and energy-intensive infrastructure, such as the Carlsbad Desalination Plant. Carlsbad's plan to cut community wide emissions by 85% by 2045 is also the most ambitious of the North County cities.

- Page 137-139 - Added Other Post-Employment Benefit Options (was not previously included in 60-day review period)

6.6 Other Post-Employment Benefit Obligations

~~Analysis pending and will be added in a final report.~~

The City of Carlsbad provides healthcare benefits to its eligible retirees as another post-employment benefit (OPEB) through a benefit trust fund. The trust fund – CERBT – is managed by CalPERS and provides the City with a pre-funding account to cover OPEB obligations as an alternative to a pay-as-you-go approach. The annual reporting figures detailed below are stated as of the GASB Statement No. 75 measurement date applicable to each fiscal year, which precedes the corresponding fiscal year end by one year (e.g., the 2023 figures reflect a measurement date of June 30, 2022). Additional OPEB details based on the available actuarial valuations follow with respect to enrollees, contributions and payments, and funded status.

OPEB Enrollees + Eligibility

The most recent valuation shows 1,400 total participants in the City's OPEB plan at the close of the five-year reporting period in 2023, comprising 784 active employees and 616 retirees-and-beneficiaries. This represents an overall increase of 148 enrollees compared to the 1,252 at the start of the reporting period in 2019 (734 active employees and 518 retirees-and-beneficiaries). The resulting active-to-retiree ratio has adjusted from 1.4-to-1 to 1.3-to-1 over the period, reflecting a gradually expanding retiree population relative to active employees and applying steady upward cost pressure. Eligibility ties to employees who are vested in CalPERS – those with five or more years of service – and who begin receiving a CalPERS pension within 120 days of retirement.

More Retirees, Fewer Active Workers...

Carlsbad finished the five-year reporting period in 2023 with 1,400 OPEB enrollees: 784 active employees and 616 retirees – producing an active-to-retiree ratio of 1.3 to 1.0 and a 11.8% increase from the period start total of 1,252.

Contributions + Benefit Payments

The City's annual employer contribution to its OPEB plan at the close of the five-year reporting period in 2023 totals $1,102,669. This most recent figure reflects a period increase of 28.1% from the starting contribution of $860,894 in 2019. Over the same time, the City's covered payroll has grown 27.6% from $56,982,964 to $72,712,238 – meaning OPEB contributions and payroll have grown at a broadly comparable rate over the period. Total City contributions over the period have been $5,208,290, made consistently across all five years and exceeding the actuary's required threshold every year. Comparatively, the City's benefit payments to retirees via CERBT at the close of the reporting period in 2023 total $1,095,532, representing the City's portion of healthcare premiums paid on behalf of retirees currently drawing benefits. This figure has increased overall by 27.3% from the period start of $860,894 in 2019. Total City benefit payments made over the reporting period have been $4,918,689.

Staying Ahead of Obligations...

Carlsbad's contributions to the trust fund have kept pace with its benefit payments made over the five-year reporting period ending in 2023 – $5,208,290 in total contributions (inflow) against $4,918,689 in total benefit payments (outflow). Carlsbad's contributions have exceeded the actuary's required threshold in each of the five years covered.

Funded Status

The City's net OPEB position at the close of the five-year reporting period in 2023 is a liability of $2,968,540 – meaning the City's dedicated CERBT trust holds less in invested assets than the actuary's measure of the City's accrued liabilities. This composite figure is produced by a net market value of trust assets of $17,702,797 against an actuarial estimate of liabilities of $20,671,337. The corresponding funded ratio at the period close is 85.6%, meaning the trust holds approximately $0.86 in dedicated assets for every $1.00 of measured liability.

Closing the Gap...

Carlsbad finished the five-year reporting period in 2023 underfunded, with $2,968,540 more in actuarial liabilities than market assets – a funded ratio of 85.6%. The plan briefly reached full funding in 2022 before a rise in liabilities pulled the ratio back below 100%.

The City has remained underfunded for most of the reporting period, with the exception of fiscal year 2022, when strong investment returns pushed the funded ratio to 103.5% – the only year in which the plan held more assets than liabilities. From that high, the funded ratio retreated to 85.6% by 2023, reflecting a 24.6% increase in the actuarial accrued liability – from $16,592,421 to $20,671,337 – that has slightly outpaced a 23.2% increase in the

market value of trust assets, from $14,366,953 to $17,702,797. A contributing factor involves the discount rate – the assumed annual return on money in the CERBT – which CalPERS reduced from 7.0% through 2021 to 6.5% beginning in 2022. Each reduction increases the present value of the accrued liability and contributes pressure on the funded ratio.

- Page 150 - Revised determination based on key themes/recommendations

(b) The McClellan-Palomar Airport ~~exemplifies~~presents a distinct governance ~~complexity~~arrangement that merits LAFCO's ~~review=this~~attention – a County-owned and operated facility ~~lies~~lying entirely within Carlsbad's incorporated limits~~ yet maintains separate service arrangements inconsistent~~, where operational authority rests with ~~orderly boundaries.~~the County while the City resources local services with limited input over its uses.

- Page 180 – Added context from Kennedy Consulting LLC Water Rate Comparator Study

Comparative Rate Context

Understanding why CMWD's rates sit below the regional average requires looking beyond the bill comparison itself. San Diego LAFCO's December 2025 Water Rate Comparator Study[108] identifies several agency-specific structural characteristics that tend to push rates higher or lower independent of how well an agency is managed. Applying that framework to CMWD reveals a mix of favorable and unfavorable conditions that together help explain the rate picture above.

On the favorable side, CMWD's system topography is relatively modest – elevation changes within the distribution system span roughly 700 feet, among the lower ranges in the county – limiting the pumping infrastructure and pressure management systems that drive costs higher at inland and hillside agencies. System density, measured as service connections per mile of pipeline, is just above the regional average, allowing infrastructure costs to be spread across a sufficiently concentrated customer base. Development activity within Carlsbad's service area, while not fully quantified due to data limitations noted in the Comparator Study, is expected to be above average, providing some capacity fee revenue that supplements rate-funded capital programs.

Counterbalancing these advantages are two structural cost pressures. CMWD has no access to low-cost local supplies and relies entirely on imported water purchased through CWA – a dependency that makes CMWD's cost structure directly sensitive to regional wholesale rate decisions outside local control, with wholesale purchases comprising 57% of operating expenses during the report period. Additionally, CMWD's take-or-pay contract for 2,500 acre-feet annually from the Carlsbad Desalination Plant – while providing meaningful drought resilience – commits the agency to water that currently costs approximately three times the rate of conventional imported supplies, regardless of actual demand in any given year.

In sum, CMWD holds rates below the regional average despite the above structural cost pressures, aided in part by favorable topography and adequate system density that ease distribution expenses. However, the Comparator Study framework is a relative indicator only and does not evaluate whether any agency's rates are set correctly; it is presented here as structural context for the rate findings above, not as a substitute for the financial analysis contained in this review.

[108] San Diego Local Agency Formation Commission, Special District Advisory Committee, Water Rate Comparator Study Working Group. *Water Rate Comparator Study Report*. Prepared by Kennedy Water Consulting, LLC. December 2025. Available at: https://www.sdlafco.org/home/showpublisheddocument/9294/639074635872970000.

- Page 190 – Added new performance measurement based on Water Rate Comparator Study

Comparative Rate Context |
As detailed earlier in this review, CMWD's typical residential rate of $94 per month remains well below the $133 regional average for comparable consumption as of early 2025. The Water Rate Comparator Study provides a framework for understanding the structural factors behind that difference. On the favorable side, CMWD's modest system topography, above-average system density, and anticipated development activity each exert downward pressure on rates relative to peer agencies. Offsetting these advantages are two structural cost pressures: full dependence on imported water – which accounts for 57% of operating expenses and links CMWD's costs directly to CWA wholesale rate decisions – and a take-or-pay desalination contract that commits the agency to water priced at roughly three times the cost of conventional imported supplies regardless of annual demand. CMWD sustaining rates well below the regional average despite these pressures reflects the combined benefit of its favorable operating characteristics.[118]

[118] The Water Rate Comparator Study metrics are relative indicators derived from publicly available data and are intended as comparative tools rather than precise measurements. They do not evaluate whether CMWD's rates are set correctly, nor do they substitute for the agency-specific financial analysis presented elsewhere in this review.

7a

AGENDA REPORT
Business | Action

June 15, 2026

TO: Chair Becker and Commissioners

FROM: Priscilla Mumpower, Assistant Executive Officer

SUBJECT: **Proposed Agreement with London Moeder Advisors to Prepare the Comprehensive Fiscal Analysis on the Proposed Incorporation of the Community of La Jolla + Related Project Update**

SUMMARY

The San Diego County Local Agency Formation Commission (LAFCO) will consider authorizing the Executive Officer to execute a professional services agreement with London Moeder Advisors to prepare the comprehensive fiscal analysis (CFA) required for the proposed special reorganization to incorporate the community of La Jolla, with concurrent detachment from the City of San Diego. The CFA will evaluate the fiscal feasibility of the proposed city and its revenue effects on affected agencies, most pertinently the City of San Diego. London Moeder Advisors was unanimously selected by a five-member selection committee following a request for proposals process, receiving the highest score based on qualifications, project approach, local government expertise, and interview performance. The proposed agreement carries a not-to-exceed amount of $150,000 through June 15, 2028, and requires Commission approval because it exceeds the Executive Officer's delegated procurement authority under Commission policy. The Commission will also receive a related update on the status of the reorganization proposal and the next steps in its administrative review. Staff recommends the Commission authorize the Executive Officer to execute the agreement with London Moeder Advisors and receive the accompanying update.

Administration
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BACKGROUND

Special Reorganization Application Filing | Proposed Incorporation of La Jolla

San Diego LAFCO is processing a proposed special reorganization – initiated by voter petition – to incorporate the community of La Jolla as an independent city, with concurrent detachment from the City of San Diego. As submitted, the affected territory encompasses approximately 14 square miles, including the Village, Shores, and Bird Rock neighborhoods while excluding the University of California San Diego campus. The proposed city would serve an estimated 38,000 residents.

Comprehensive Fiscal Analysis | Request for Proposals and Selection Process

State law requires LAFCO to prepare a CFA as part of its administrative review of any incorporation proposal. The CFA must evaluate the proposed city's fiscal feasibility, ability to provide municipal services, projected revenues and expenditures, impacts on affected agencies, and revenue neutrality. Accordingly, following submission of a qualifying petition by the Association for the City of La Jolla on January 29, 2025, and resolution of associated litigation brought by the City of San Diego, LAFCO staff released a formal Request for Proposals (RFP) on January 21, 2026 for the preparation of a CFA.[1] The RFP is provided as Attachment One; it was distributed to approximately a dozen financial firms identified with input from other LAFCOs, and posted online. Proposals were reviewed by a five-member selection committee comprising representatives of the following agencies and stakeholders.

- San Diego LAFCO
- Association for the City of La Jolla
- Mayor's Office, City of San Diego
- San Diego Regional Chamber of Commerce
- San Diego Municipal Employees Association

Two firms submitted complete proposals – London Moeder Advisors (San Diego) and RSG (Los Angeles) – by the RFP deadline of March 10, 2026. Proposals were evaluated on demonstrated understanding of the project, scope and methodology, relevant experience, budget, communication approach, and overall qualifications. Both firms submitted strong, well-qualified proposals and scored competitively. Following interviews and final scoring, the committee unanimously selected London Moeder as the preferred consultant.[2]

London Moeder Advisors' proposal is attached.

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[1] Following the Executive Officer's issuance of an amended Certificate of Sufficiency on April 29, 2025, confirming the petition would proceed through LAFCO's administrative review, the City of San Diego filed litigation challenging the Executive Officer's authority to overrule the Registrar of Voters' rejection of certain petition signatures for minor misspellings, abbreviations, or legibility concerns. The litigation concluded in October 2025 with the court upholding the Executive Officer's actions, allowing LAFCO staff to continue processing the proposed incorporation of the community of La Jolla.

[2] Written proposal scores between the two firms were comparatively close. London Moeder Advisors ultimately received the highest overall score from each of the five committee members. London Moeder Advisors negotiated fee of $150,000 reflects a reduction from its original $170,000 proposal and was the lower of the two firms' proposed amounts.

DISCUSSION

This item is for San Diego LAFCO to authorize the Executive Officer to execute a professional services agreement with London Moeder Advisors for preparation of the CFA required in the administrative review of the proposed special reorganization. Among other matters, the CFA will evaluate the proposed city's fiscal feasibility, ability to provide municipal services, impacts on affected agencies, and compliance with statutory revenue neutrality requirements. The item also provides the Commission with an update on the status of the special reorganization and the next steps in its administrative review.

Proposed Professional Services Agreement | Scope of Work, Schedule, + Budget

The proposed scope of work by London Moeder Advisors builds directly on the preliminary CFA prepared by Berkson Associates in January 2024 – independently verifying its assumptions rather than adopting them wholesale – and extends the projection horizon from the three-year minimum required under statute to a full ten years, consistent with LAFCO policy. The scope encompasses the analyses necessary to prepare the CFA, including municipal service and governance review, revenue and expenditure forecasting, property tax exchange and revenue neutrality analyses, transition planning, and preparation of draft and final reports. Work is proposed to commence June 2026, following contract execution, with a targeted draft CFA release in April 2027 and final delivery in June 2027. The proposed agreement carries a not-to-exceed amount of $150,000 – a negotiated reduction from London Moeder Advisors' original $170,000 proposal. Consistent with LAFCO's adopted fee schedule, all consultant costs, related staff time, and associated administrative expenses will be funded through applicant deposits.

The proposed agreement has been reviewed and tentatively approved by Commission Counsel and is provided as Attachment Three.

Other Proposal Updates

Staff anticipates transitioning the RFP selection committee into an advisory CFA working group as the project moves from consultant procurement into active study preparation. The working group will continue to include representatives from key stakeholder organizations and serve as a forum for discussing major project assumptions, service delivery expectations, revenue neutrality considerations, and benchmarking methodologies. Particular emphasis will be placed on reviewing assumptions that may materially influence the CFA's findings, with specific attention to potential fiscal, operational, and service delivery impacts on the City of San Diego.

The following table identifies key dates and activities. Activities following the listed LAFCO Commission hearing occur only if the special reorganization is approved by the Commission.

Date	Action
June 2026	CFA Consultant Contract Execution
July 2026	Project Kickoff
August 2026 – June 2027	Consultant Prepares Draft CFA (FY25 or FY26 Baseline Year)
July 2027 – September 2027	Draft CFA Circulated to San Diego + Public Review (90 days)
September 2027 – October 2027	Community Workshops (La Jolla and City of San Diego)
November 2027 – January 2028	Final CFA Produced
January 2028 – March 2028	Possible Review by State-Controller Office
May 2028 – June 2028	LAFCO Commission Hearing(s)
November 2028	Election (La Jolla and City of San Diego)
July 2029 (or as specified by election measure)	Incorporation Effective Date
July 2029 – June 2030	Transition Period

ANALYSIS

The administrative review of the proposed La Jolla special reorganization has advanced following petition submission and resolution of litigation brought by the City of San Diego. The next major step is preparation of the CFA, which statute requires as the basis for evaluating the proposal. The proposed agreement is consistent with the selection committee's unanimous recommendation of London Moeder Advisors and would secure the qualified fiscal and municipal expertise needed to complete the CFA, with staff's due diligence on the consultant team identifying no concerns.[3] All costs associated with the CFA will be funded through applicant deposits and will not impact LAFCO's budget.

RECOMMENDATION

It is recommended San Diego LAFCO authorize the Executive Officer to execute a professional services agreement with London Moeder Advisors for preparation of a CFA associated with the proposed special reorganization of La Jolla.

[3] Staff's due diligence review included verification of London Moeder Advisors' good standing with the California Secretary of State, county-level criminal record searches based on address history, multi-state criminal database screenings, and related watchlist reviews for the firm's principal consultants (Gary H. London & Nathan L. Moeder). All searches returned clear results, and no issues or concerns were identified.

ALTERNATIVES FOR ACTION

The following alternatives are available to San Diego LAFCO:

Alternative One (recommended):
Authorize the Executive Officer to execute a professional services agreement with London Moeder Advisors for preparation of a CFA, with any specified revisions.

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

PROCEDURES

This item has been placed on the Commission's agenda for action as part of the business calendar. The following procedures are recommended in the consideration of this item:

1) Receive verbal presentation from staff unless waived.
2) Invite comments from interested audience members.
3) Discuss and consider the recommendation.

On behalf of the Executive Officer,

Priscilla Mumpower
Assistant Executive Officer

Attachment:

1) Request for Proposals
2) London Moeder Advisors Proposal
3) Proposed Professional Services Agreement: London Moeder Advisors

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San Diego County
Local Agency Formation Commission

Regional Service Planning | Subdivision of the State of California

January 21, 2026

TO: Interested Consultants

FROM: San Diego LAFCO

SUBJECT: Request for Proposals |
Comprehensive Fiscal Analysis for the Proposed Incorporation of La Jolla

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The San Diego County Local Agency Formation Commission (LAFCO) is pleased to invite qualified consultants to submit proposals to prepare a Comprehensive Fiscal Analysis (CFA) for the proposed incorporation of the Community of La Jolla as an independent city. This proposed special reorganization—submitted by registered voter petition—involves detaching approximately 14 square miles, including the Village, Shores, and Bird Rock neighborhoods (excluding the UCSD campus), from the City of San Diego. The proposed City of La Jolla would serve an estimated population of 38,000.

The CFA will serve as a key component in LAFCO's independent review and determination pursuant to California Government Code Section 56800 and associated local policy. The selected consultant will be responsible for developing a thorough and objective fiscal analysis of the proposed new city and its anticipated impacts on existing agencies. The scope of work will include ten-year revenue and expenditure projections, an evaluation of the proposed city's ability to deliver municipal services and maintain financial stability, and an analysis of revenue neutrality for affected agencies, most notably the City of San Diego.

The enclosed RFP outlines additional background, the proposal requirements, selection timeline, and evaluation criteria. Proposals must be submitted via email to priscilla.mumpower@sdcounty.ca.gov by **Tuesday, March 10, 2026 at 5:00 PM (PST).** San Diego LAFCO anticipates final selection and contract initiation by April 2026.

Sincerely,

Priscilla Mumpower
Assistant Executive Officer

Administration
Keene Simonds, Executive Officer
2550 Fifth Avenue, Suite 725
San Diego, California 92103
T 619.321.3380
E lafco@sdcounty.ca.gov
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Paloma Aguirre, County of San Diego
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Kristi Becker, City of Solana Beach
Dane White, City of Escondido
John McCann Alt., City of Chula Vista
Chair Stephen Whitburn, City of San Diego
Marni von Wilpert, Alt., City of San Diego
Vice Chair Barry Willis, Alpine Fire Protection
Jo MacKenzie, Vista Irrigation
David Drake, Alt., Rincon del Diablo
Brigette Browning, General Public
Eileen Delaney, Alt., General Public

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REQUEST FOR PROPOSALS ("RFP") FOR COMPREHENSIVE FISCAL ANALYSIS ("CFA") PREPARATION AND AS-NEEDED PROFESSIONAL SERVICES

Date of Release:
January 21, 2026

Submittals Due:
March 10, 2026 at 5:00 PM Pacific Standard Time (PST)

SAN DIEGO COUNTY LOCAL AGENCY FORMATION COMMISSION

REQUEST FOR PROPOSALS

Comprehensive Fiscal Analysis on the
Proposed Special Reorganization of La Jolla

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SAN DIEGO COUNTY LOCAL AGENCY FORMATION COMMISSION
REQUEST FOR PROPOSALS

Comprehensive Fiscal Analysis on the
Proposed Special Reorganization of La Jolla

1.0 Introduction

The San Diego County Local Agency Formation Commission (LAFCO) invites qualified individuals or firms to submit a written proposal to prepare a Comprehensive Fiscal Analysis (CFA) for the proposed incorporation of the Community of La Jolla as an independent city.[1] The proposed special reorganization – initiated by registered voter petition – seeks to detach approximately 14 square miles from the City of San Diego comprising the Village, Shores, and Bird Rock neighborhoods. The University of California at San Diego (UCSD) is excluded. The proposed City of La Jolla would serve an estimated population of 38,000 residents.

The CFA is a key component to informing LAFCO's statutory review process and ultimate determination on the proposed special reorganization. LAFCO operates under the Cortese-Knox-Hertzberg Local Government Reorganization Act ("CKH") and is – among other things – tasked with evaluating jurisdictional changes to promote efficient service delivery, fiscal sustainability, and orderly growth based on local circumstances.[2] Specific to considering proposed incorporations, CFAs are mandated components of the LAFCO administrative review consistent with California Government Code Section 56800 and local policy, including but not limited to the following core topics:

- Revenue and Expenditure Forecasting:
  Forecast projected revenues and expenditures for the proposed City of La Jolla for the first 10 fiscal years following incorporation. State law requires CFA to project finances for the first three fiscal years post-incorporation; however, LAFCO staff is expanding the analysis to cover the first 10 fiscal years.

- Impact on Existing Agencies:
  Evaluate the fiscal impacts on the City of San Diego and any other substantively affected local agencies, with an emphasis on achieving revenue neutrality.

- Service Delivery and Reserves:
  Assess the proposed City of La Jolla's ability to assume and provide essential municipal services and maintain reasonable general fund reserves.

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[1] Use of the term "firm" throughout this document shall mean individual proprietorship, partnership, limited liability company, corporation (whether for profit or not-for-profit), joint venture, or other public or private entity duly existing and operating under California law or authorized to do business in California.

[2] More Information about LAFCO is provided as Attachment One.

- Stakeholder Coordination:
  Collaborate with LAFCO staff, the proponents, and the City of San Diego to ensure transparency and accuracy throughout the process and to help achieve consensus in developing appropriate assumptions and benchmarks.

2.0 Earlier Analysis

As part of the application submitted by the chief proponent – the Association for the City of La Jolla – a Preliminary Fiscal Analysis (PFA) was completed in January 2024 by Berkson Associates. The PFA projected an initial General Fund surplus of $8.982 million in FY 2027, with $8.529 million allocated to revenue-neutrality payments to the City of San Diego, resulting in an adjusted surplus of approximately $0.5 million. A copy of the PFA is available online on the LAFCO website and provided as Attachment 3.

3.0 Timeline + Selection Process

The proposed timetable for this RFP is as follows:

DESCRIPTION	DATE
Release of Request for Proposals	Wednesday, January 21, 2026
… Virtual Meeting with Interested Consultants (RSVP Required)	Wednesday, February 11, 2026 at 1:30 PM (PST)
… Deadline for Written Questions	Tuesday, February 17, 2026 at 5:00 PM (PST)
… Responses to Questions	Tuesday, March 3, 2026
Proposal Submittal Deadline	Tuesday, March 10, 2026 at 5:00 PM (PST)
… Screening and Interviews	March 2026
… Selection + Contract Finalization	March - April 2026
Expected Commencement of Work	April 2026
Expected Draft CFA Release	April 2027

The above schedule is tentative and subject to change at San Diego LAFCO's sole discretion. Nothing herein obligates San Diego LAFCO to award a contract, and it reserves the right to cancel or modify any portion of this RFP at any time.

Additional details on the timeline and selection process follows:

a) Virtual Meeting with Interested Consultants (Optional)
   Interested parties may attend a virtual meeting on February 11, 2026 at 1:30 PM to discuss the project and ask clarifying questions. Attendance is optional but must be confirmed no less than 72 hours in advance.

b) Deadline for Written Questions on the RFP (Optional)
All questions on the RFP must be submitted by February 17, 2026 via email to:

Priscilla Mumpower
Assistant Executive Officer
San Diego LAFCO
priscilla.mumpower@sdcounty.ca.gov

When submitting questions, please specify which section of the RFP you are referencing. San Diego LAFCO reserves the right to group similar questions when providing answers. Staff responses will be posted online on March 3, 2026.

c) Proposal Submittal (March 10, 2026, at 5:00PM (PST))
Proposals must be submitted electronically via email to Priscilla Mumpower at priscilla.mumpower@sdcounty.ca.gov as a single consolidated PDF document. Proposals received after this date and time will not be accepted.

d) Screening and Interviews
Submissions will be evaluated by a designated selection committee as detailed in section four. Finalists may be invited to participate in interviews. The screening process is expected to conclude within 30 days of the submittal deadline.

e) Selection + Contract Finalization
San Diego LAFCO expects to finalize a contract between March and April 2026, with contract work beginning in April.

4.0 Proposal Submittal Requirements

Firms and/or individuals responding to this RFP must submit their complete proposal via email as detailed in the preceding section as a single, consolidated PDF by the deadline of March 10, 2026. The proposal must include all of the following required components.

a) Cover letter
A signed cover letter summarizing the proposal, including all associated costs. The letter must be signed by a person authorized to negotiate and enter into a contract for the proposed CFA services on behalf of the proposing entity.

b) Background + Qualifications
A detailed description of the firm and/or individuals' background, qualifications, and relevant experience in preparing CFAs or similar financial analyses. Proposers should highlight experience with incorporations, revenue neutrality analysis, property tax transfer calculations, and coordination with LAFCOs, counties, and affected agencies.

c) Proposed Project Approach
A description outlining the methodology and approach to completing the CFA, including anticipated challenges and opportunities, and strategies for delivering a high-quality final product.

d) Scope of Work & Schedule
A detailed scope of work demonstrating an understanding of the minimum required tasks for preparation of a CFA, including fiscal feasibility, service plan analysis, property tax transfer, revenue neutrality, and budget projections. The scope shall include a clear timeline and sequencing of major tasks, milestones, and deliverables. A sample scope of work is provided in Appendix A for reference; proposers may propose alternative approaches provided all minimum requirements are met.

e) Budget
A proposed budget presented in a clear and detailed format and aligned with the proposed scope and anticipated invoicing schedule, including:

- A staffing plan identifying anticipated personnel and any subconsultants;
- Hourly billing rates for all personnel; and
- Estimated hours allocated to each team member by task.

f) List of References
A list of at least three professional references familiar with the proposer's work on similar projects completed within the past ten years. Each reference shall include contact information (name, organization, address, phone number, email) and a brief description of the associated project.

5.0 Selection Committee and Evaluation Criteria

San Diego LAFCO will utilize a five-person selection committee for this RFP. The committee will include representatives from affected and interested parties, including the special reorganization proponents, the City of San Diego, and an at-large representative reflecting broader regional economic interests. The composition of the committee is intended to provide a range of perspectives to inform LAFCO staff's evaluation of proposals and the proposed special reorganization. The selection committee is anticipated to include the following representatives:

- (1) Representative of the Association for the City of La Jolla
- (1) Representative of the City of San Diego Mayor's Office and/or Independent Budget Analyst Office
- (1) Representative of the San Diego Regional Chamber of Commerce
- (1) Representative of the San Diego Municipal Employees Association
- (1) Representative of the San Diego LAFCO:
  - Assistant Executive Officer

Written proposals will be evaluated using the following criteria with a maximum vote potential of 100 points:

Written Proposal Evaluation Category	Points
Demonstrated understanding of the project objectives and scope	20
Quality, clarity, and completeness of proposed scope of work and approach	20
Reasonableness of proposed budget and project schedule	20
Experience with similar projects of comparable scope & complexity	20
Strength and relevance of references	10
Familiarity with municipal issues within: City of San Diego and County of San Diego	10
Maximum Total	100

Voting will be weighted to provide San Diego LAFCO with a 25 percent share, with the remaining four members– the Association for the City of La Jolla, the City of San Diego, the San Diego Regional Chamber, and the San Diego Municipal Employees Association – each assigned an 18.75 percent share.

The highest-ranked proposers will be invited to participate in a panel interview with the selection committee. Interview performance will be evaluated using the following criteria with a maximum vote potential of 25 points:

Interview Performance Evaluation Category	Points
Presentation of Proposed Approach *… overall presentation and ability to clearly articulate the proposed approach, methodology, and work plan.*	10
Team Expertise, Communication, and Engagement *…demonstrated qualifications and effectiveness of communication and engagement with the selection committee.*	10
Responsiveness and Problem-Solving *…quality of responses and demonstrated critical thinking.*	5
Maximum Total	25

At the conclusion of the interviews, the selection committee will compute final scores using the weighted voting formula as described for a maximum of 125 points.

Contract Negotiations

Contract negotiations will be initiated by LAFCO staff with the highest-scoring proposer. If contract negotiations are unsuccessful, LAFCO staff will proceed to negotiate with the next highest-ranked proposer.

For additional information regarding this project and San Diego LAFCO, please refer to the attachments accompanying this RFP and visit the following webpage: https://www.sdlafco.org/resources/major-projects/la-jolla-incorporation-lafco-special-reorganization

Attachments:

1) About San Diego LAFCO Brochure
2) San Diego LAFCO Commissioners
3) Berkson and Associates Preliminary Fiscal Analysis: Executive Summary

Appendix:

A. Sample Scope of Work

Appendix A
Sample Scope of Work

This sample scope of work is intended to provide proposers with an overview of the anticipated tasks and deliverables required to prepare a Comprehensive Fiscal Analysis (CFA). It is not intended to be all-inclusive, and the selected consultant may be required to perform additional tasks or analyses necessary to complete the CFA in accordance with applicable law and LAFCO requirements.

Preparation of a Comprehensive Fiscal Analysis (CFA)

The selected consultant shall prepare a Comprehensive Fiscal Analysis (CFA) in accordance with Government Code §§56800–56815. The CFA will support the Executive Officer's report and LAFCO's consideration of a proposed incorporation and shall address fiscal feasibility, revenue neutrality, and service delivery impacts.

Task 1: Project Initiation and Boundary Scenarios

- Coordinate with LAFCO staff to confirm project assumptions, schedule, and deliverables.
- Identify and evaluate alternative boundary scenarios early in the process to assess fiscal, service, and revenue-neutrality impacts.
- Incorporate approved boundary scenarios into all subsequent fiscal analyses, including property tax transfer and revenue neutrality.

Task 2: Data Collection and Verification

- Prepare an inventory of existing agencies and public service providers in the proposed incorporation area.
- Coordinate the collection of financial and service-level data from affected public agencies (i.e., City of San Diego), special districts, franchise agencies, school districts, and the County.
- Review and validate data for consistency, accuracy, and statutory compliance.
- Document assumptions and methodologies where data must be estimated or adjusted due to limitations.
- Establish base-year financial data using the most recent fiscal year available.

Task 3: Service Plan Analysis

- Analyze existing and proposed municipal service responsibilities, including whether services would be provided directly by the new city or via contractual arrangements.
- Evaluate required and optional municipal services, including but not limited to public safety, public works, land use planning, community services, utilities, and other municipal functions.
- Identify agencies affected by service transfers and associated fiscal impacts.

- Assess alternative municipal operating and service delivery models (including staffing, contracting, and governance structures) and evaluate fiscal, operational, and feasibility implications.

Task 4: Base Year Costs and Revenues

- Develop estimates of base-year municipal service costs based on service assumptions established in Task 3, including direct and indirect costs.
- Identify administrative cost reductions to affected agencies resulting from service transfers.
- Establish base-year revenues consistent with statutory requirements, excluding project-specific or non-recurring revenues.
- Benchmark cost assumptions against comparable cities, as appropriate.

Task 5: Property Tax Transfer Calculation

- Calculate the estimated property tax transfer from the City of San Diego, County, and/or affected special districts to the proposed city pursuant to Government Code §56810.
- Apply the Auditor-Controller's ratio and document assumptions, methodologies, and data sources.

Task 6: Revenue Neutrality Analysis and Mitigation

- Evaluate fiscal impacts to affected agencies to determine whether the incorporation would result in negative financial effects.
- Identify and quantify revenue neutrality impacts.
- Develop mitigation measures and payment scenarios to achieve revenue neutrality, including adjustments for alternative boundary configurations.

Task 7: Budget Projections

- Prepare ten-year budget projections for the proposed city, including revenues, expenditures, and impacts to affected agencies, as required by statute.
- Present projections on a cash basis and clearly state all assumptions, inflation factors, and growth rates.

Task 8: Appropriations Limit Analysis

- Estimate the proposed city's appropriations limit pursuant to Government Code §56812.
- Document assumptions related to population growth, inflation, and proceeds of taxes.
- Provide sufficient information to support future voter consideration of a permanent appropriations limit.

Task 9: Transition Period and Effective Date Analysis

- Analyze fiscal implications associated with the anticipated effective date of incorporation and the transition period between incorporation and the assumption of full municipal service responsibility.
- Estimate potential reimbursement to the City of San Diego and other services providers, if applicable, for the net cost of services during the transition period, if applicable.
- Identify cash flow considerations and startup funding needs.

Task 10: Financial Feasibility Determination

- Evaluate whether the proposed city is expected to receive sufficient revenues to provide services and maintain reasonable reserves during the first ten fiscal years following incorporation.
- Assess fiscal feasibility considering economic, legal, social, and operational factors.
- Clearly summarize findings to support LAFCO's required determinations.

Task 11: Reporting and Deliverables

- Prepare a clear, well-documented CFA suitable for inclusion in LAFCO's Executive Officer's report.
- Provide tables, figures, and appendices that transparently present assumptions, calculations, and results.
- Participate in meetings with LAFCO staff and attend public hearings, meetings, or workshops as requested.

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ABOUT SAN DIEGO LAFCO

What is LAFCO?

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

Why were LAFCOs formed?

LAFCOs were established in 1963 by the California Legislature. Initial tasks included approving or disapproving proposals for the incorporation of new cities and creation of new special districts in 57 of the 58 counties in California. (San Francisco City/County did not have a LAFCO until 2001.)

The motivation leading to the establishment of LAFCOs began several years earlier when the newly elected Governor Edmund (Pat) Brown created the Commission on Metropolitan Area Problems and directed this blue-ribbon group to make recommendations to coordinate the management of statewide growth and development.

At the time, county governments in California were largely empowered to form and expand cities and special districts without any real oversight. The prior decade highlighted the need for coordinated management as California's population increased between 1950 and 1960 by 50 percent – from 10.6 million to 15.9 million – and more than 100 cities and special districts were formed, often with irrational and overlapping boundaries.

The Commission on Metropolitan Area Problems and its findings led to a unique comprise between the State and local government with respect to assigning regional growth management responsibilities in California. This compromise remains largely intact today. It involves the Legislature setting policies and procedures with regard to the formation and post-formation development of local agencies while delegating implementation and decision-making to a consortium of locally elected officials through LAFCOs.

The authority and power of LAFCOs have increasingly expanded since 1963 through additional legislation and in respect to the state's ongoing interest to ensure effective local governance relative to local needs. The primary result of the additional legislation over the past six decades is the delineation of two distinct LAFCO duties:

1. Regulation: Regulating the physical development of cities and special districts and their respective service areas
2. Planning: Informing such decisions through various planning activities

What does LAFCO do?

San Diego LAFCO is a subdivision of the State of California and is responsible for administering a section of State law currently known as the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000.

The statute delegates the authority to regulate and plan the location of cities and most special districts and their municipal service areas to LAFCOs in all 58 counties in California.

This includes establishing, expanding, and reorganizing cities and special districts in meeting LAFCOs' underlying directive from the State to facilitate smart and sustainable growth and development.

Decisions are made with consideration to legislative objectives as well as local conditions and circumstances and include all of the following duties:

- Incorporate cities and form special districts
- Annex and detach lands to cities and special districts
- Activate or deactivate special districts' service powers
- Consolidate two or more cities or special districts into one
- Merge special districts into cities
- Disincorporate cities and dissolve special districts
- Establish spheres of influence for all cities and special districts thereby delineating areas eligible for annexation
- Regularly prepare studies to independently assess the availability, demand and performance of local government services
- Authorize cities and districts to provide new or extended services outside their boundaries by contracts

Who does LAFCO oversee?

San Diego LAFCO has direct jurisdiction over 101 local government agencies located throughout San Diego County. These local agencies are currently divided between 18 cities as well as 83 special districts that provide various services in support of existing development, such as water, wastewater, police and fire protection, cemeteries, healthcare and resource conservation.

Most special districts subject to LAFCO are independent with their own directly elected board of directors. The remaining local special districts are dependent with appointed board of directors made by other government agencies.

Cities

- Eighteen incorporated communities in San Diego County
- The first incorporation was the City of San Diego in 1850, and the last incorporation was the City of Encinitas in 1988
- The last disapproved incorporation attempt was the community of Rancho Santa Fe in 1987
- City boundaries and service areas are determined by LAFCO
- City services are determined by the agencies
- Primary functions are land use control and police protection

Special Districts

- Eighty-three special districts in San Diego County subject to LAFCO.
- The first formation was Helix Water District (formerly La Mesa, Lemon Grove, and Spring Valley Irrigation District) formed in 1897
- Special district boundaries and service areas are determined by LAFCO
- Service functions and classes are also determined by LAFCO
- Primary functions are providing urban services in support of development approved by the county and/or one of the 18 cities

San Diego LAFCO also has indirect oversight of joint-power authorities (JPAs). JPAs are legally created entities that allow two or more public agencies to provide contracted municipal services such as wastewater treatment, emergency dispatch or clean energy, often with the intent to deliver services more efficiently or cost-effectively. All JPAs providing a local municipal service as defined by LAFCO must file their agreements and any amendments with LAFCO. LAFCOs are similarly encouraged to include JPAs in preparing municipal service reviews.

*School and college districts are currently not subject to LAFCO oversight.

Who are the Commissioners?

Decisions at San Diego LAFCO are made by a 13-member "Commission" primarily consisting of appointed local elected officials that include county supervisors, city council members and special district board members. These officials also appoint two general members of the public. The Commission meets monthly and are tasked with implementing LAFCO law with broad discretion to reflect local conditions. The Commission is overseen by the California Assembly Committee on Local Government.

All members of the Commission serve four–year terms and must exercise their independent judgment on behalf of the interests of residents, landowners, and the general public. They are subject to standard disclosure requirements and must file annual statements of economic interests. The Commission has sole authority in administering its legislative responsibilities, and decisions therein are not subject to an outside appeal process.

Administration and Funding

San Diego LAFCO is administered by an appointed Executive Officer and they are responsible for overseeing day-to-day activities. This includes supervising a professional staff of eight to ten employees and implementation of an annual workplan that outlines specific project goals for the fiscal year as determined by the Commission.

Funding for San Diego LAFCO is prescribed under State law based on membership categories on the Commission with the largest apportionment of 28.6% assigned to the County of San Diego. The independent special districts and cities less the City of San Diego are also apportioned 28.6% with individual amounts divided thereafter based on total revenue shares in the past fiscal year. The City of San Diego – and based on special legislation that ensures the City is always represented on the Commission – is responsible for the remaining 14.3% of annual operating costs.

At a Glance

- Subdivision of the State of California
- Facilitates smart and responsive growth and development
- Promotes public accountability and transparency of local government
- An appointed Executive Officer manages day-to-day activities and makes recommendations to the Commission
- Regulates and plans local government boundaries and associated service areas throughout San Diego County
- Comprises locally elected officials – including County Supervisors and City Mayors/ Councilmembers

Know and Go

Interested in attending a San Diego LAFCO monthly meeting? Join us, or watch our video recordings online at **sdlafco.org**. Our website also includes past and current agendas, policies and procedures, application materials, and more. All regular meetings include an opportunity for public comment and the ability to directly speak to decision-makers.

San Diego LAFCO Regular Meetings

Monthly, First Mondays at 8:15 a.m.

1600 Pacific Highway County

Administration Center, Room 302

San Diego, California 92101

Visit our website for the most up-to-date meeting information including agenda postings, updated meeting times, and cancellations.

Contact Us

San Diego LAFCO Administrative Office

2550 Fifth Avenue, Suite 725

San Diego, CA 92103

Hours: **M-F, 8:00 a.m. – 4:30 p.m.**

Phone: **619.321.3380**

Web: **sdlafco.org**

E-Mail: **lafco@sdcounty.ca.gov**

Twitter: **@sdlafco**

Appointments are Encouraged

LAFCO COMMISSION

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REPORT

PRELIMINARY COMPREHENSIVE FISCAL ANALYSIS (PCFA)

THE CITY OF LA JOLLA

Prepared by BERKSON ASSOCIATES
for The Association for the City of La Jolla

January 17, 2024 (rev'd 1/24/2025)

www.berksonassociates.com

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1. THE PROPOSED CITY OF LA JOLLA

OVERVIEW OF LA JOLLA

This Preliminary Comprehensive Fiscal Analysis (PCFA) provides an evaluation of the financial feasibility of the proposed City of La Jolla's services and revenues compared to expenditures. This financial evaluation is required by the Local Agency Formation Commission (LAFCO) as part of an application to LAFCO to initiate the incorporation process.

Figure 1 shows the proposed City of La Jolla boundary spanning about 14 square miles and home to nearly 40,000 residents.

The boundary borders UC San Diego and the City of San Diego, and the City of Del Mar along La Jolla's northern boundary. The City falls largely in the 92037 zip code.

Item	La Jolla	City of San Diego	La Jolla as a % of San Diego
Population	38,277	1,368,395	2.8%
Registered Voters	23,050	794,643	2.9%
Employment (Jobs)	18,700	822,407	2.3%
Land Area (sq.mi.)	14.3	325	4.4%
Assessed Value (bill.)	$25.4	$350.0	7.3%
Roads (centerline mi.)	151	3,045	5.0%

Figure 1 Proposed Boundary of City of La Jolla

As shown in **Figure 1**, the proposed City of La Jolla boundary follows the natural topography of La Jolla and major arterials including the I-5 freeway bounding La Jolla, preserving the integrity of existing La Jolla neighborhoods. The main campus of UC San Diego is excluded. **Appendix 1** includes additional information about the boundary and estimated population. LAFCO will review the proposed boundary upon receipt of an incorporation application and may evaluate boundary and service alternatives.

OBJECTIVES OF INCORPORATION

A new City of La Jolla would benefit the City of San Diego in a number of ways:

- Reduce the scope and scale of City of San Diego responsibilities and costs, and increase focus on the balance of the City
- Increase regional economic benefits by maintaining and improving La Jolla's attractiveness as a visitor destination
- Eliminate La Jolla liabilities from the City of San Diego's financial statements including deferred maintenance, infrastructure maintenance and replacement, and a portion of unfunded pension and other liabilities
- Relieve San Diego residents of paying for certain services and infrastructure (e.g., sewer and water) in La Jolla that may be more costly, and which effectively would reduce rates for other San Diego residents

Incorporation of a new city provides a number of benefits to the residents of La Jolla:

- Local control of land use planning and approval
- La Jolla elected council members will determine the use of locally generated revenues for La Jolla service and infrastructure needs and priorities
- Management and coordination of public services to improve maintenance of beaches, natural resources, and infrastructure serving La Jolla and San Diego
- Increase access to local officials and improve accountability for local services and infrastructure. La Jolla residents will be represented by five elected council members; currently one San Diego councilmember represents La Jolla and other parts of San Diego with a total population nearly four times La Jolla

The benefits of incorporation require a financially sustainable City of La Jolla, strong and engaged local leadership, and a positive collaborative relationship between the City of La Jolla and the City of San Diego. The City of La Jolla will inherit a share of the City of San Diego's obligations, debts, and liabilities including deferred maintenance costs for infrastructure and facilities and will be responsible for payments to the City of San Diego to assure the incorporation causes no adverse impacts.

CITY OF LA JOLLA FINANCIAL FEASIBILITY

As shown in **Table 1a** and further detailed in **Appendix 3**, annual revenues exceed expenditures and provide a contingency before revenue neutrality payments to the City of San Diego. The analysis is based on La Jolla's formation as a "General Law" city and follows statutes in State law the determine various aspects of city governance, revenues and expenditures. No new city in California formed in the past forty years or more have been formed as a charter city due to the additional cost, complexity and generally reduced flexibility; a city charter prescribes and tailors city governance in ways that may differ from State statutes (for example, transfer taxes can be increased by a charter, but are fixed for General Law cities) however changing the charter requires voter approval.

LAFCO will prepare a more Comprehensive Fiscal Analysis (CFA) after it receives an application for incorporation. LAFCO must find that the proposed city "is expected to receive revenues sufficient to provide public services and facilities and a reasonable reserve during the three fiscal years following incorporation."[1] The CFA will refine the estimates contained in this PCFA and results may change from those shown. Future budget conditions and other factors also will influence actual results.

Results are in constant 2023 dollars to illustrate real changes over time. **Table 1b** converts the projections into future nominal dollars by overlaying inflation; inflation increases revenues, expenditures, and the net difference, but does not change the finding of feasibility.

Chapter 4 describes the preliminary revenue neutrality estimate in greater detail.

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[1] Gov. Code Sec. 56720(e)

Table 1a Summary of City of La Jolla Budget Forecast (constant 2023 dollars)

Item	Transition Yr FY2026-27	FY2027-28	FY2028-29
REVENUES			
Property Tax	$43,992,000	$44,330,000	$44,671,000
Sales Tax	4,384,000	4,384,000	4,384,000
Transient Occupancy Tax	24,971,000	25,695,000	26,440,000
Revenue: Money & Property	0	0	0
Charges for Current Services	3,877,000	3,885,000	3,892,000
Franchise Fees	2,690,000	2,695,000	2,700,000
Other Revenues	3,885,000	3,902,000	3,919,000
Total Revenues	**$83,799,000**	**$84,891,000**	**$86,006,000**
EXPENDITURES			
Management & Admin.	$8,465,000	$8,278,000	$8,491,000
Police	18,126,000	18,126,000	18,126,000
Animal Control	380,000	380,000	380,000
Fire	15,983,000	15,983,000	15,983,000
Lifeguard	12,229,000	12,229,000	12,229,000
Community Development	2,543,000	2,543,000	2,543,000
Public Works	7,556,000	7,556,000	7,556,000
Library	1,019,000	1,019,000	1,019,000
Parks and Recreation	3,785,000	3,785,000	3,785,000
Economic Development	479,000	480,000	481,000
General Services	281,000	281,000	281,000
Other OH/Admin.	3,190,000	3,181,000	3,191,000
Other (cultural grants)	781,000	781,000	781,000
Total Expenditures	**$74,817,000**	**$74,622,000**	**$74,846,000**
ANNUAL NET	**$8,982,000**	**$10,269,000**	**$11,160,000**
(less) Revenue Neutrality	**($8,529,000)**	*tbd*	*tbd*
NET	**$453,000**		

Note: totals may not match Table B-4a due to rounding. *1/29/24*

The La Jolla budget strives to "right size" local services to fit the needs, interests and issues of La Jolla residents and businesses, while maintaining and improving current service levels. The City of La Jolla can take advantage of certain "efficiencies of scale" through contracts with other service providers and be in a position to focus its resources on issues of direct concern to La Jolla. Over time the City of La Jolla may choose to transition to other providers or create City departments if they demonstrate cost efficiencies and improved service effectiveness.

Table 1b Summary of City of La Jolla Budget Forecast (nominal dollars)

Item	Transition Yr FY2026-27	FY2027-28	FY2028-29
REVENUES			
Property Tax	$48,071,000	$49,894,000	$51,786,000
Sales Tax	$4,791,000	$4,934,000	$5,082,000
Transient Occupancy Tax	$27,286,000	$28,920,000	$30,651,000
Other Revenues	$11,421,000	$11,798,000	$12,185,000
Total Revenues	**$91,569,000**	**$95,546,000**	**$99,704,000**
EXPENDITURES			
Management & Admin.	$9,250,000	$9,317,000	$9,843,000
Police	$19,807,000	$20,401,000	$21,013,000
Animal Control	$415,000	$428,000	$441,000
Fire	$17,465,000	$17,989,000	$18,529,000
Lifeguard	$13,363,000	$13,764,000	$14,177,000
Community Development	$2,779,000	$2,862,000	$2,948,000
Public Works	$8,257,000	$8,504,000	$8,759,000
Library	$1,113,000	$1,147,000	$1,181,000
Parks and Recreation	$4,136,000	$4,260,000	$4,388,000
Other Expenditures	$5,169,000	$5,315,000	$5,488,000
Total Expenditures	**$81,754,000**	**$83,987,000**	**$86,767,000**
ANNUAL NET	**$9,815,000**	**$11,559,000**	**$12,937,000**
(less) Revenue Neutrality	**($9,320,000)**	*tbd*	*tbd*
NET	**$495,000**		
Includes inflation/year at	3.0%		*1/29/24*

The budget forecast is based on information provided by the City of San Diego, input from La Jolla community members, and a review of revenues, services and budgets of other cities. The PCFA focuses on operating revenues and expenditures; capital costs for the maintenance, repair upgrade and expansion of infrastructure and facilities are not included in this PCFA except as noted in the report.

Other upfront and startup costs including hiring, office space improvements, software, equipment and facilities for the new City, and costs for the transition from San Diego and creation of service contracts are not estimated. These costs could be funded through a combination of City of La Jolla reserves accumulated during the Transition Year, interim San Diego loans to be repaid over time, and possible phasing of costs over multiple years. Impacts on San Diego will be refined during LAFCO's CFA process.

Budget forecasts are preliminary and will change as economic conditions change; outcomes depend on decisions by LAFCO, the City of San Diego, and the future La Jolla City Council. After receiving an application for incorporation, LAFCO will prepare a more detailed Comprehensive Fiscal Analysis (CFA) that will inform and refine the budget forecasts. The outcome of negotiations between the City of San Diego and La Jolla community representatives during the CFA process are likely to change the revenue neutrality amount and timing shown in **Table 1a** and **Table 1b** and will establish terms of any payments or other conditions that may be required.

Summary of City of La Jolla Revenue Assumptions

The PCFA estimates potential annual revenues to the new City of La Jolla. **Table 1c** summarizes key assumptions which are explained in **Chapter 3** and further documented in **Appendix 3**. Certain assumptions are based on current City of San Diego revenues generated by La Jolla; other revenues are estimated based on City of San Diego averages per resident, or by formula applicable to particular revenues, for example property tax. Some revenue items, for example lease revenues from San Diego-owned property, will be subject to negotiation and LAFCO determinations.

Summary of City of La Jolla Expenditure Assumptions

The PCFA estimates potential annual expenditures by the new City of La Jolla. **Table 1c** summarizes key assumptions which are explained in **Chapter 2** and further documented in **Appendix 3**. Certain assumptions are based on current City of San Diego expenditures required for services to La Jolla as reported by the City of San Diego, for example police, fire and lifeguards.

Other expenditures are estimated based on City of San Diego averages per resident, or by reference to other cities. "Per capita" costs and other expenditures by budget item were reviewed and based on multiple reference cities' budgets, in addition to consideration of current costs and revenues in the City of San Diego budget.

The CFA to be prepared by LAFCO will evaluate budget items in greater detail and may modify the assumptions in the PCFA. Future economic and fiscal conditions, LAFCO determinations, City of San Diego budget and contracting decisions, and other factors will influence the forecasts. The actual City of La Jolla budget will differ from the estimates provided in this PCFA and in the future, updated CFA.

Table 1c Summary of City of La Jolla Budget Revenue Assumptions

City of La Jolla Revenue Item
Property Tax Share and amount of property taxes from La Jolla that would otherwise go to City of San Diego. Share is 17.1% of basic property tax (1% of assessed value).
Sales Tax Share and amount of sales taxes from La Jolla that would otherwise go to City of San Diego. Share is 1% of taxable sales (including internet sales).
Transient Occupancy Tax (TOT, or Hotel Taxes) Share and amount of hotel taxes from La Jolla that would otherwise go to City of San Diego. Existing combined rate of 10.5% to La Jolla General Fund; additional Tourism Marketing District 2% rate to continue dedicated to same purposes.
Licenses & Permits, **Fines, Forfeitures, & Penalties** Based on San Diego average per resident times La Jolla population.
Revenue from Money & Property No net revenue to City of La Jolla from Torrey Pines Golf Course or City of San Diego-owned properties (to be negotiated).
Revenue from Federal & Other Agencies No ongoing operating revenue assumed. La Jolla may apply for and receive one-time grants.
Charges for Current Services Based on San Diego average per resident times La Jolla population. Excludes airport and Port services, Hazmat, and TOT reimbursements.
Transfers In Not estimated - includes one-time revenues and TOT already included in other categories.
Other Revenue Based on San Diego average per resident times La Jolla population.
Franchise Fees Based on San Diego average per resident times La Jolla population.
Real Property Transfer Tax Transfer Tax paid upon sale of property estimated as % of property tax comparable to current City of San Diego average.
Interest and Dividends Investment earning estimated as % of revenue comparable to current City of San Diego average.
Road-Related Revenues Based on San Diego average per resident times La Jolla population.

Table 1d Summary of City of La Jolla Budget Expenditure Assumptions

City of La Jolla Revenue Item

City Council
Based on San Diego average per resident times La Jolla population; comparable to reference cities (e.g., Encinitas, Coronado $520k-$590k).

City Manager & Administration
Based on Encinitas avg. per resident times La Jolla population; approximately 5 positions & $200,000 budget for services.

City Attorney
Contract based on Coronado average per resident times La Jolla population; also comparable to Encinitas $1 million.

City Clerk
Based on Encinitas average per resident times La Jolla population; also comparable to Coronado $415,000.

City Finance
Based on Encinitas average per resident times La Jolla population; also comparable to Coronado $1.9 mill. approximately 11 positions plus $300,000 budget for contracts and services.

Administration (Human Resource, IT, Risk Management)
Based on Encinitas avg. per resident times La Jolla population; comparable to Coronado $2.8 mill. Approx. 6 positions.

Police
La Jolla contract with San Diego based on City of San Diego's estimated current costs of service to La Jolla.

Animal Control
Cost based on City of San Diego's estimated current costs of service to La Jolla.

Fire and Lifeguard
La Jolla contract with San Diego based on City of San Diego's estimated current costs of service to La Jolla.

Community Development (Planning, Dev. Services, Code Enforcement)
La Jolla departments' cost and staffing based on City of San Diego's estimated current costs of service to La Jolla. Approximately 7 planning positions, 6 code enforcement; development services 100% fee funded.

Public Works (Transporation/Roads, Environmental Services, Stormwater)
La Jolla departments' cost and staffing based on City of San Diego's estimated current costs of service to La Jolla. Approximately 19 positions.

Library
La Jolla departments' cost and staffing based on City of San Diego's estimated current costs of service to La Jolla.

Parks and Recreation
La Jolla departments' cost and staffing based on City of San Diego's estimated current costs of service to La Jolla.

Economic Development
Based on San Diego average per resident times La Jolla population; approximately 1-2 positions.

General Services (facility maintenance)
La Jolla departments' cost and staffing based on City of San Diego's estimated current costs of service to La Jolla.

Other Costs (Non-dept'l)
Insurance based on 3.5% of expenditures (Encinitas); rent of 16,100 sq.ft. office space (107 positions, 150 sq.ft. each) $4/sq.ft./month.

Other Programs
Cultural Affairs cost based on City of San Diego's estimated current costs of service to La Jolla (funded by TOT).

Infrastructure, Public Facilities and Property

The City of La Jolla will inherit infrastructure, public facilities and property[2] from the City of San Diego and will be responsible for operations, maintenance and asset replacement. The focus of this PCFA is annual operating revenues and expenditures, although asset and liability issues are noted.

As indicated in this report, certain City of San Diego public safety buildings (police, fire, communications) are located within the proposed City of La Jolla boundaries and will be transferred to the City of La Jolla but will continue to serve San Diego through mutual aid or other cooperative agreements. No capital costs are included in the PCFA budget for the City of La Jolla for the transfer of public facilities and infrastructure from the City of San Diego. The new city will assume responsibility for any debt or other liabilities directly attributable to transferred facilities.

Other recreation and community facilities primarily serving La Jolla residents and located within its proposed boundaries will be transferred to and become the responsibility of the City of La Jolla. The transfer and disposition of Torrey Pines golf course and other public facilities and property will be determined during the LAFCO review process and negotiations with the City of San Diego; the PCFA budget does not include Torrey Pines Golf Course revenues in the La Jolla budget. Fees currently paid by La Jolla and San Diego residents and tee-times scheduling policies for public golf courses are not projected to change as a result of incorporation.

Other revenue-generating properties owned by the City of San Diego which are not necessary for the provision of public services would be subject to negotiation, particularly if transfer of those properties and related revenues causes an adverse financial impact on the City of San Diego and its residents.[3]

Sewer and water infrastructure represents a substantial investment, requires significant operation and maintenance costs, and will be very difficult to divide between the two cities; ongoing contractual operation by the City of San Diego provides a viable option but could incur management costs and increased rates to La Jolla residents if costs of serving La Jolla are more costly than San Diego and if contract operation requires a separate rate structure.

La Jolla's beaches contribute to San Diego's visitor draw and to its economic vitality but require significant operating costs for lifeguard and related marine services in addition to beach and facility maintenance and improvement. Collaboration with the City of San Diego through service contracts for continuing San Diego services would continue current efficiencies of scale while providing local management and policy direction.

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[2] See Attachments 1 and 19 to City of San Diego Response to Data Request, 2023-06-30.

[3] See Attachment 19 to City of San Diego Response to Data Request, 2023-06-30 for a list of City of San Diego properties generating lease revenue. The CFA will review and revise this list based on boundaries, future leases and revenues, and any changes to the list of properties and other leases.

Impacts on Other Agencies

This PCFA provides a preliminary evaluation of potential adverse fiscal impacts on the City of San Diego. LAFCO's review of the incorporation application will determine the magnitude of impacts and required mitigation. LAFCO will facilitate negotiations between proponents for the City of La Jolla and representatives for the City of San Diego to determine revenue neutrality terms.

California State codes require that an incorporation "should result in a similar exchange of both revenue and responsibility for service delivery among the county, the proposed city, and other subject agencies"[4] in this case primarily the City of San Diego. Adverse fiscal impacts on an agency typically are mitigated by a "revenue neutrality agreement" that could require the City of La Jolla to make payments to the City of San Diego to mitigate financial impacts. Terms may take various forms and could include sharing of certain revenues and responsibilities.

The PCFA does not address one-time startup costs of services and infrastructure transition which may incur an impact on the City of La Jolla and the City of San Diego. As previously noted, these costs could be funded through a combination of City of La Jolla reserves accumulated during the Transition Year, interim San Diego loans to be repaid over time, and possible phasing of costs over multiple years. Impacts on San Diego will be refined during LAFCO's CFA process and negotiations between La Jolla proponents and the City of San Diego as facilitated by LAFCO.

Next Steps

Following completion of the PCFA, public outreach and fundraising, incorporation proponents will prepare and submit an application to LAFCO. LAFCO will review the application and prepare a CFA.[5] The CFA will be a more detailed version of this PCFA and will consider a number of topics in greater detail, including but not limited to:

- Owned/leased properties and related costs and revenues
- Responsibility for unfunded pension liabilities and other debt
- Contracting of services
- Impacts on public utilities
- Revenue neutrality and impacts on City of San Diego

Following public hearings and LAFCO determinations, LAFCO will pass a resolution requiring the County to call for an election if LAFCO determines that the incorporation proposal meets legal requirements for financial feasibility and revenue neutrality. Terms and Conditions approved by LAFCO would specify

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[4] Gov. Code Sec. 56815.

[5] Gov. Code Sec. 56800.

additional requirements applicable to the city incorporation. The detachment and incorporation must be approved by a majority of voters in the proposed city boundary and by a majority of voters in the City of San Diego unless this requirement is changed by State legislation.[6] "Next Steps" are further discussed in **Chapter 5** and a preliminary working schedule is shown in **Appendix 2**.

Legislation to Address State Funding to New Cities

In 2011 the State legislature eliminated, as part of a State budget re-structuring, Property Tax In Lieu of Vehicle License Fees (PTVLF) to new cities.[7] This revenue, in the form of property tax which grows as assessed value grows, continues to be allocated to existing cities as compensation for the loss of Vehicle License Fee revenue previously distributed by the State.

Subsequent legislation fixed the adverse impacts of this change on then-recently formed new cities in Riverside County, but future new cities continue to face reduced revenues that largely eliminate prospects for financial feasibility absent significant new revenues.

No new cities have been formed in California over the past two decades other than new cities in Riverside County that received a legislative fix and were granted PTVLF. Receipt of PTVLF would considerably improve the financial prospects of the City of La Jolla and increase funding available to help repair aging infrastructure and to address issues of affordable housing and homelessness, and potential one-time costs and other impacts on the City of San Diego.

The City of San Diego will not experience a loss of PTVLF because State law excludes from the PTVLF allocation formula the assessed value change in the first year following a boundary change.[8] In subsequent years the increase in PTVLF to the City of San Diego also should be not be significantly affected; the lower San Diego assessed value will grow less, however the smaller growth compared to a lower total base assessed value should result in a similar percent growth rate.

As recently as 2019, bills have been introduced to remedy the loss of revenues to new cities, but none have passed to-date.[9] The League of California cities may consider advocating for legislation in future legislative sessions;[10] political support from communities considering incorporation will improve chances of bill passage. Incorporation proponents should engage with other communities pursuing cityhood to push for legislation to remedy funding discrepancies adversely affecting future new cities.

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[6] Gov. Code Sec. 57119.

[7] SB 89 (2011) excluded new cities from the statutory formula that allocates revenues based on the 2004 VLF-property tax swap.

[8] Revenue and Tax Code Sec. 97.70(c)(1)(C)(ii)(II)

[9] AB 818 (Cooley) 2019-20 failed to emerge from committee.

[10] R. Berkson correspondence.

london moeder
advisors

Proposal for Comprehensive Fiscal Analysis
Proposed Incorporation of La Jolla
March 10, 2026

Prepared for:

San Diego County LAFCO

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March 10, 2026

Priscilla Mumpower
Assistant Executive Officer
San Diego County Local Agency Formation Commission
2550 Fifth Avenue, Suite 725
San Diego, California 92103

Via email: priscilla.mumpower@sdcounty.ca.gov

Dear Ms. Mumpower:

London Moeder Advisors ("LMA") is pleased to submit this proposal in response to the San Diego County Local Agency Formation Commission's ("LAFCO") Request for Proposals to prepare a Comprehensive Fiscal Analysis ("CFA") for the proposed incorporation of the Community of La Jolla as an independent city. We believe we are uniquely positioned to deliver a thorough, objective, and defensible analysis for the following reasons:

- Deep expertise in fiscal and economic analysis, including revenue and expenditure forecasting, property tax allocation, municipal service cost analysis, and fiscal impact studies for both public agencies and private-sector clients across California.
- Comprehensive knowledge of the San Diego regional economy and local government landscape, informed by decades of advisory work throughout the region for cities, counties, special districts, and private entities.
- Our "hands-on" approach by firm principals. LMA is a boutique firm whose principals touch every project, ensuring senior-level attention to every phase of the analysis.
- Extensive experience in similar fiscal impact and economic analysis assignments on behalf of both public and private-sector clients, including fiscal impact analyses for municipalities, infrastructure projects, and development proposals in San Diego County.

We are committed to working collaboratively with LAFCO staff, the Association for the City of La Jolla, the City of San Diego, and all relevant stakeholders to conduct a transparent, rigorous, and comprehensive analysis. Our goal is to produce a CFA that clearly and objectively informs LAFCO's statutory determination regarding the proposed special reorganization.

We are prepared to defend and communicate our findings to the Commission, affected agencies, and the public. We are particularly skilled at distilling complicated fiscal analyses into clear, accessible presentations that stakeholders can readily understand.

Our total proposed budget for the CFA is $170,000, as detailed in this proposal. If selected, we would offer LAFCO our priority of time while providing excellent services.

I would like to make the special point that we are a 36 year, San Diego firm, committed to improving the economic and civic quality of life in San Diego. We have no biases but are grounded by a strong understanding of the City of San Diego and the community of La Jolla. We are convinced that our work will greatly assist LAFCO in your decisions and recommendation for the best outcome for that community and the City. Thank you for the opportunity to submit this proposal. Please reach out to me with any questions or clarifications.

Sincerely,

Gary H. London
Senior Principal
London Moeder Advisors

Our Team

LMA is a boutique, San Diego-based economic and fiscal analysis firm that performs a wide array of analytical studies for public agencies, private businesses, and real estate clients. Our roots are in the real estate and economic advisory sectors, but we have broad expertise and experience in assisting public agencies and municipalities with fiscal impact, revenue forecasting, and financial feasibility analyses.

Our analytical team for this assignment will be led by firm Principals Gary H. London and Nathan Moeder, both of whom will have active roles in conducting this comprehensive fiscal analysis. They are supported by our staff of experienced analysts with expertise in municipal finance, property tax allocation, economic modeling, and public-sector service delivery analysis.

Mr. London is widely regarded as a thought leader in San Diego on matters involving the regional economy, housing, land use, and public policy. For many years he has been an instructor, teaching and lecturing at universities. He regularly addresses industry groups, private businesses, Boards of Directors, and public agencies on the current and future state of our economy. He has extensive experience testifying at public hearings and serving as an expert witness in litigation involving fiscal and valuation issues. A columnist in the San Diego Union Tribune's "Econometer," Mr. London brings decades of insight into San Diego's unique economic and governmental landscape.

Nathan Moeder is a 30-year professional at LMA with special expertise in economics, fiscal analysis, and financial structuring. Mr. Moeder will lead the technical team for the CFA. He has performed fiscal and economic impact analyses for a wide variety of projects involving municipalities, infrastructure, development proposals, and public agencies throughout California. He is currently a Continuing Lecturer at UC San Diego where he teaches courses on market analysis and finance. He is an excellent communicator, experienced in expressing complicated fiscal and economic issues in a manner that all stakeholders can understand.

Resumes of Project Team

Gary H. London
Senior Principal

EDUCATION

Master of City Planning | San Diego State University 1976
Bachelor of Arts – Political Science | University of California-Berkley 1974

PROFESSIONAL AND BUSINESS HISTORY

London Moeder Advisors | 2017 - Present
The London Group | 1991 to 2017
Price Waterhouse, Real Estate Consulting Group: West Region Director | 1988 to 1991
Laventhol & Horwath: Director of Real Estate Advisory Services | 1985 to 1987
The Goodkin Group: Executive Vice President | 1978 to 1985
San Diego Chamber of Commerce: Urban Planner | 1976 to 1977
City of San Diego: City Planner | 1975 to 1976

BIOGRAPHY

Gary H. London, Senior Principal, is widely regarded as one of the nation's foremost real estate advisors to many of the nation's largest developers, investors, lenders and real estate asset managers and owners, Mr. London has been at the forefront in understanding and describing the many demographic, technological and societal changes which are transforming our cities and regions.

In practice as an analyst and strategic advisor for six decades, he has a reputation as a prescient, forward thinker who translates opportunities (or problems) into profits.

Mr. London is Senior Principal of London Moeder Advisors, a diversified real estate strategic advisory, development management, investment, capital access and analysis firm whose clients include investors, developers, lenders and public agencies. He is also considered to be one of the most

experienced and effective expert witnesses in real estate litigation involving issues about valuation, damages, best practices and market analysis.

Mr. London is an Instructor at The Burnham-Moores Center for Real Estate, University of San Diego. He formerly was a Professor at Arizona State University's graduate program in real estate development (MRED). He had taught at the University of California, San Diego Extension for 24 years. Previously, he was West Region Director of Real Estate Consulting for Price Waterhouse and Executive Director of The Goodkin Group. He is a graduate of U.C. Berkeley and received his Master's degree from San Diego State University.

A "Distinguished Toastmaster" in Toastmasters International, Mr. London speaks regularly to industry and business organizations, frequently writes and is often quoted in the national and Southern California media and is a columnist for the San Diego Business Journal. He is also featured in the San Diego Union Tribune's weekly "EconoMeter" sharing his views on the great economic issues of our time.

He was featured on CBS Evening News "Eye On America" for his commentary on the real estate market, and has also testified before the House of Representatives Committee on Banking, Finance and Urban Affairs. In 1995 he was featured in the San Diego Business Journal's "Who's Who In San Diego"; and was honored as "Member Of The Year" in 1996 from the San Diego Land Economics Society (Lambda Alpha International). In 2016 he was honored as one of the top 100 Most Influential persons San Diego by the San Diego Daily Transcript.

Nathan Moeder
Principal

EDUCATION

Master of Science in Real Estate | University of San Diego 2006
Bachelor of Arts – Economics Major, Mathematics Minor, Business Minor | University of San Diego 1998

PROFESSIONAL AND BUSINESS HISTORY

London Moeder Advisors | 2017 - Present
The London Group | 1998 to 2017

BIOGRAPHY

Nathan Moeder is widely considered one of the west coast's foremost authority on the financial feasibility of real estate projects. As a Partner of London Moeder Advisors, he serves as a strategic consultant who advises a wide array of clients from the perspective of real estate economics. His clients include real estate developers, investors, corporations, financial institutions, businesses and public agencies. Project assignments span all real estate sectors including residential developments, office buildings, industrial, hotel, retail and mixed-use projects. He brings extensive experience and financial expertise as an advisor and analyst to many successful projects and assignments throughout North America.

Mr. Moeder is a real estate finance, investment and valuation expert. His experience in the finance realm ranges from working with institutional Wall Street firms on international deals to small entrepreneurial investment groups. He specializes in market analysis, evaluating project feasibility and acquisition strategies, as well as structuring joint ventures and debt layers for projects.

He has been an instructor since 2000 in various courses on real estate, including Finance and Investments, Proforma Analysis, Development Feasibility and Market Analysis. Currently he is an instructor for Real Estate Finance and Investments at the University of San Diego and the graduate program at the Woodbury School of Architecture. He is also considered to be an effective expert witness in real estate litigation involving issues about valuation, damages, best practices and market analysis.

Mr. Moeder is a member of Lambda Alpha International (LAI) land economics society. He served on the San Diego/Tijuana Urban Land Institute (ULI) board for 14 years, where he founded the Young Leaders program.

He is an Advanced Toastmaster and speaks regularly to industry and business organizations on global economic trends and real estate land use issues at the local and national levels. He has been quoted in the San Diego Union Tribune, Los Angeles Times, Chicago Tribune, Baja Times, California Real Estate Journal, National Real Estate Investor, Meridian Star, San Diego Daily Transcript, and San Diego Business Journal. Radio and TV appearances have included: Channel 39 KNBC, Channel 10 KABC, Channel 8 KFMB, Channel 9 KUSI.

Mr. Moeder received his B.A. in Economics in 1998 with a concentration on mathematical economic theory from the University of San Diego (USD). He also holds a Master of Science in Real Estate degree (MSRE) from USD, where he participated in its inaugural class.

Approach to Analysis

Project Understanding

The San Diego County Local Agency Formation Commission (LAFCO) seeks a qualified consultant to prepare a Comprehensive Fiscal Analysis (CFA) for the proposed incorporation of the Community of La Jolla as an independent city. This proposed special reorganization—initiated by registered voter petition by the Association for the City of La Jolla—involves detaching approximately 14 square miles from the City of San Diego, comprising the Village, Shores, and Bird Rock neighborhoods, while excluding the UC San Diego campus. The proposed City of La Jolla would serve an estimated population of 38,000 residents.

The CFA is a statutorily mandated component of LAFCO's administrative review process pursuant to the Cortese-Knox-Hertzberg Local Government Reorganization Act ("CKH") and California Government Code Section 56800. The analysis must provide LAFCO and the public with a thorough, objective, and transparent assessment of the fiscal viability of the proposed new city, its capacity to deliver municipal services, and the fiscal impacts on existing agencies—most notably the City of San Diego.

We recognize that a Preliminary Fiscal Analysis (PFA) was completed by Berkson Associates in January 2024, projecting an initial General Fund surplus of approximately $8.982 million in the first year, with approximately $8.529 million allocated to revenue-neutrality payments to the City of San Diego. Our CFA will build upon and independently verify the PFA's assumptions, expanding the analysis to cover the first 10 fiscal years following incorporation as directed by LAFCO staff, and conducting a deeper evaluation of service delivery models, property tax transfers, and revenue neutrality scenarios.

Several factors make this engagement particularly complex and demand a nuanced, methodical approach:

- **Detachment from a Charter City.** Unlike a typical incorporation of unincorporated county territory, this proposal involves detaching from an existing charter city with its own tax structure, labor agreements, pension obligations, enterprise funds, and capital improvement programs. Parsing La Jolla's share of revenues and expenditures requires granular analysis of San Diego's budget and financial systems.
- **High-Value Tax Base with Tourism Dependency.** La Jolla's assessed property values ($25.4 billion) and transient occupancy tax (TOT) revenues are substantial. The CFA must carefully model the property tax transfer under the Auditor-Controller's ratio and evaluate the sensitivity of TOT revenues to economic cycles and tourism trends.
- **Revenue Neutrality Complexity.** The Berkson PFA estimated revenue neutrality payments of approximately $8.5–$9.3 million annually. The CFA must independently evaluate these

estimates, consider alternative mitigation structures, and model the long-term sustainability of such payments while maintaining the proposed city's fiscal viability.

- **Service Delivery Model.** The proposed city envisions a contract-services model for public safety (police, fire, lifeguard) with the City of San Diego. The CFA must evaluate both the fiscal and operational feasibility of these arrangements, including cost escalation risks and alternative service delivery models.
- **Pending Litigation.** The City of San Diego's lawsuit challenging LAFCO's certificate of sufficiency adds a layer of procedural complexity. While the court affirmed LAFCO's authority in October 2025, the CFA must be prepared on a timeline that accounts for potential further legal developments.
- **Sewer, Water, and Infrastructure.** La Jolla's reliance on City of San Diego water and sewer systems requires careful analysis of whether continued contractual service is feasible, and at what cost.

Methodology

LMA will employ a comprehensive, multi-phase analytical approach designed to produce a rigorous and defensible CFA. Our methodology will include:

- Revenue Forecasting: We will develop detailed revenue projections for the proposed City of La Jolla across all major General Fund revenue categories, including property taxes, sales taxes, transient occupancy taxes, franchise fees, fees for service, fines, and intergovernmental transfers. Projections will reflect the unique revenue characteristics of the La Jolla community, including its significant tourism base, high property values, and commercial activity in the Village and surrounding areas.
- Expenditure Analysis: We will model projected expenditures based on the service delivery plan developed in collaboration with LAFCO staff and stakeholders. This will encompass direct and indirect costs for all essential municipal services, including public safety (police and fire), public works, planning and building, parks and recreation, library services, and general government administration.
- Property Tax Transfer Modeling: We will calculate the estimated property tax transfer from the City of San Diego, County of San Diego, and any affected special districts to the proposed City of La Jolla pursuant to Government Code §56810, using data from the County Auditor-Controller's Office.
- Revenue Neutrality Assessment: We will evaluate the fiscal impact on the City of San Diego and other affected agencies, develop revenue neutrality mitigation scenarios, and model payment structures designed to achieve statutory compliance.
- Comparative Benchmarking: We will benchmark the proposed city's projected costs and revenues against comparable California cities to validate assumptions and ensure reasonableness. Potential comparables include cities such as Solana Beach, Del Mar, Coronado, and other recently incorporated California cities.
- Sensitivity Analysis: We will perform sensitivity analyses to test the robustness of our projections under varying economic conditions, growth rates, and service delivery assumptions.

Anticipated Challenges and Opportunities

This assignment presents several notable challenges that we are well-prepared to address:

- Complexity of Detachment from a Major City: La Jolla's detachment from the City of San Diego involves separating services, revenues, and obligations from one of the largest municipalities in the nation. The intertwined nature of City of San Diego departments, enterprise funds, and shared infrastructure (e.g., water/sewer, stormwater) will require careful analysis to properly allocate costs and revenues.
- Revenue Neutrality Negotiations: The requirement that incorporation not cause adverse fiscal impacts to the City of San Diego will be central to the CFA. Our analysis will need to identify clear, defensible mitigation payment scenarios that can serve as a framework for negotiation between the parties.
- Service Delivery Model Options: The proposed city will need to determine whether to provide services directly, contract with existing agencies (including potentially the City of San Diego), or pursue hybrid models. Each option carries different fiscal implications that must be thoroughly modeled.
- Stakeholder Coordination: The CFA requires extensive collaboration with LAFCO staff, the City of San Diego, the Association for the City of La Jolla, the County of San Diego, and potentially affected special districts. LMA's long-standing relationships within the San Diego government and business communities position us well to facilitate productive coordination and build consensus around assumptions and benchmarks.

At the same time, La Jolla's strong property tax base, vibrant commercial districts, and significant tourist economy present a compelling fiscal foundation for a new city. Our analysis will objectively evaluate these strengths alongside the challenges to provide LAFCO with a clear picture of fiscal feasibility.

Scope of Work and Schedule

The following scope of work is organized to align with the sample scope provided in Appendix A of the RFP, while reflecting LMA's proposed methodology and approach. The scope is designed to satisfy all statutory requirements under Government Code §§56800–56815 and LAFCO's local policies.

Task 1: Project Initiation and Boundary Scenarios

LMA will coordinate with LAFCO staff to confirm project assumptions, schedule, deliverables, and data requirements. We will conduct a kickoff meeting to establish communication protocols and stakeholder coordination procedures. We will identify and evaluate alternative boundary scenarios early in the process to assess fiscal, service, and revenue-neutrality impacts, incorporating approved boundary scenarios into all subsequent analyses.

- Deliverable: Project work plan, communication protocol, boundary scenario analysis memorandum

Task 2: Data Collection and Verification

LMA will prepare a comprehensive inventory of existing agencies and public service providers within the proposed incorporation area. We will coordinate the collection of financial and service-level data from all affected public agencies, including the City of San Diego, relevant special districts, franchise agencies, school districts, and the County. All data will be reviewed and validated for consistency, accuracy, and statutory compliance, with documented assumptions and methodologies where data must be estimated or adjusted.

- Deliverable: Data collection matrix, validated base-year financial data summary

Task 3: Service Plan Analysis

We will analyze existing and proposed municipal service responsibilities, evaluating whether services would be provided directly by the new city or through contractual arrangements. The analysis will cover all required and optional municipal services, including public safety, public works, land use planning, community services, utilities, and other municipal functions. We will identify agencies affected by service transfers and assess alternative service delivery models, including staffing, contracting, and governance structures.

- Deliverable: Municipal service plan analysis with alternative delivery model evaluation

Task 4: Base Year Costs and Revenues

LMA will develop estimates of base-year municipal service costs based on service assumptions established in Task 3, including all direct and indirect costs. We will identify administrative cost reductions to affected agencies resulting from service transfers and establish base-year revenues consistent with statutory requirements. Cost assumptions will be benchmarked against comparable California cities.

- Deliverable: Base-year cost and revenue estimates with benchmarking analysis

Task 5: Property Tax Transfer Calculation

We will calculate the estimated property tax transfer from the City of San Diego, County of San Diego, and/or affected special districts to the proposed City of La Jolla pursuant to Government Code §56810. The calculation will apply the Auditor-Controller's ratio methodology and thoroughly document all assumptions, data sources, and methodologies.

- Deliverable: Property tax transfer calculation memorandum

Task 6: Revenue Neutrality Analysis and Mitigation

LMA will evaluate fiscal impacts to all affected agencies to determine whether the incorporation would result in negative financial effects. We will identify and quantify revenue neutrality impacts and develop mitigation measures and payment scenarios to achieve revenue neutrality, including adjustments for alternative boundary configurations. The revenue neutrality analysis will model multiple scenarios to provide LAFCO and the negotiating parties with a range of defensible options.

- Deliverable: Revenue neutrality impact analysis with mitigation payment scenarios

Task 7: Budget Projections

We will prepare 10-year budget projections for the proposed City of La Jolla, including all projected revenues, expenditures, and impacts to affected agencies. Projections will be presented on a cash basis with clearly stated assumptions for inflation factors, growth rates, and economic conditions. The projections will exceed the statutory minimum of three years, covering the first 10 fiscal years as directed by LAFCO staff.

- Deliverable: 10-year budget projection model and summary tables

Task 8: Appropriations Limit Analysis

LMA will estimate the proposed city's appropriations limit pursuant to Government Code §56812, documenting assumptions related to population growth, inflation, and proceeds of taxes. The analysis will provide sufficient information to support future voter consideration of a permanent appropriations limit.

- Deliverable: Appropriations limit calculation and supporting documentation

Task 9: Transition Period and Effective Date Analysis

We will analyze fiscal implications associated with the anticipated effective date of incorporation and the transition period between incorporation and full assumption of municipal service responsibility. The analysis will estimate potential reimbursement to the City of San Diego for the net cost of services during the transition period and identify cash flow considerations and startup funding needs.

- Deliverable: Transition period fiscal impact memorandum

Task 10: Financial Feasibility Determination

LMA will evaluate whether the proposed city is expected to receive sufficient revenues to provide services and maintain reasonable reserves during the first 10 fiscal years following incorporation. The feasibility determination will consider economic, legal, social, and operational factors, with findings clearly summarized to support LAFCO's required determinations.

- Deliverable: Financial feasibility determination and summary findings

Task 11: Reporting and Deliverables

We will prepare a clear, well-documented CFA suitable for inclusion in LAFCO's Executive Officer's report. The CFA will include comprehensive tables, figures, and appendices that transparently present assumptions, calculations, and results. LMA principals will participate in meetings with LAFCO staff and attend public hearings, meetings, or workshops as requested by LAFCO throughout the process.

- Deliverable: Draft CFA, Final CFA, Executive Summary, presentations as requested

Project Schedule

The following proposed preliminary schedule aligns with LAFCO's anticipated timeline, with work commencing in April 2026 and a draft CFA delivered by April 2027:

Task / Milestone	Target Start	Target Completion
Contract Execution & Kickoff	April 2026	April 2026
Task 1: Project Initiation & Boundary Scenarios	April 2026	May 2026
Task 2: Data Collection & Verification	May 2026	July 2026
Task 3: Service Plan Analysis	June 2026	August 2026
Task 4: Base Year Costs & Revenues	July 2026	September 2026
Task 5: Property Tax Transfer Calculation	August 2026	October 2026
Task 6: Revenue Neutrality Analysis	September 2026	November 2026
Task 7: Budget Projections (10-Year)	October 2026	December 2026
Task 8: Appropriations Limit Analysis	November 2026	December 2026
Task 9: Transition Period Analysis	December 2026	January 2027
Task 10: Financial Feasibility Determination	January 2027	February 2027
Task 11: Draft CFA Preparation	February 2027	March 2027
Draft CFA Release to LAFCO	—	**April 2027**
Public Review & Revisions	April 2027	May 2027
Final CFA Delivery	—	**June 2027**

Note: The above schedule is subject to adjustment based on data availability, stakeholder responsiveness, and LAFCO direction. Several tasks will run concurrently to maintain the overall timeline. LMA will provide monthly progress updates to LAFCO staff.

Budget

The total proposed budget for the Comprehensive Fiscal Analysis is $170,000. This budget encompasses all professional services, data acquisition, analysis, reporting, and presentations as outlined in the scope of work. We have prepared our budget breakdown by major task area, as follows:

Task / Category	Estimated Fee
Task 1: Project Initiation & Boundary Scenarios	$9,500
Task 2: Data Collection & Verification	$13,000
Task 3: Service Plan Analysis	$13,000
Task 4: Base Year Costs & Revenues	$12,500
Task 5: Property Tax Transfer Calculation	$11,000
Task 6: Revenue Neutrality Analysis & Mitigation	$14,000
Task 7: Budget Projections (10-Year)	$13,500
Task 8: Appropriations Limit Analysis	$8,500
Task 9: Transition Period & Effective Date Analysis	$10,500
Task 10: Financial Feasibility Determination	$9,500
Task 11: Reporting, Deliverables & Presentations	$13,500
Data Acquisition & Third-Party Costs	$9,500
Project Management & Stakeholder Coordination	$12,000
Total Budget	**$150,000**

Staffing Plan and Billing Rates

Team members and leadership will participate in each task, contributing their time, as follows:

Team Member	Role	Hourly Rate	Est. Hours	Total
Gary H. London	Senior Principal	$450	75	$33,750
Nathan Moeder	Principal / Project Lead	$450	119	$53,550
	Senior Analysts	$275	228	$62,700
				$150,000

Invoicing Schedule

LMA proposes to invoice LAFCO monthly based on work completed, aligned with the task milestones outlined in the project schedule. Alternatively, we are amenable to an invoicing schedule structured around major deliverable milestones, as LAFCO may prefer.

References

We have included the following three professional references who can attest to the versatility of our fiscal impact assignments in both the public and private sectors. These are recent projects. Each reference can speak to our analytical rigor, responsiveness, and the quality of our deliverables.

Rainbow & Fallbrook Water Districts

In 2021, LMA prepared analysis and a report pertaining to the economic consequences of both Rainbow and Fallbrook Public Utility District detachment form the San Diego County Water Authority. The analysis presented to LAFCO addressed the payouts and costs of the proposed detachment from SDCWA and created Benefit-Cost Ratio to express the results in both monetary and qualitative terms. LMA presented its reports and addressed responses from SDCWA.

Tom Kennedy, General Manager

Rainbow Municipal Water District

3707 Old Highway 395

Fallbrook, CA 92028

tkennedy@rainbowmwd.com

SDG&E/ Sempra Energy

In 2024 LMA prepared an Economic & Fiscal Impact Analysis that evaluated the San Diego regional economic and fiscal impact of San Diego Gas & Electric Company ("SDG&E"), a subsidiary of Sempra. SDG&E provides service to 3.7 million people through 1.5 million electric meters and 900,000 natural gas meters in San Diego and southern Orange counties covering a service area spanning 4,100 square miles.

The report analyzed the impact to the San Diego region of SDG&E's ongoing annual expenditures and business activities. The impacts detailed in the report identified the fiscal as well as the overall economic impacts in which SDG&E benefits the San Diego region.

Reference:

Brittany Syz

SDG&E

bsyz@sdge.com

New Leaf Energy

IN 2024 LMA delivered a Fiscal & Economic Impact Analysis for a proposed battery energy storage system ("BESS") on a 47-acre parcel in the unincorporated area in the County of Santa Cruz, CA. The energy facility is a standalone battery energy storage system of 200MW/800MWh and is anticipated to be online in May 2029 with a 20-year operational term. The fiscal impact analysis addressed property tax revenues, sales tax revenues, project development fees, land sale transfer taxes, and costs for training & equipment to the local fire protection district, concluding with a calculation of the annual net surplus for the County over a 20-year period. LMA also addressed the economic impact of construction of the facility and the recurring operations of it.

Reference::

Max Christian

New Leaf Energy

mchristian@newleafenergy.com

Representative Past Fiscal and Economic Studies

The following is a representative list of fiscal and economic studies that LMA has conducted for various public agencies, businesses, and development projects. These assignments demonstrate our broad experience in applying rigorous analytical methodologies to a variety of fiscal and economic questions.

For Public Agencies:

LMA has conducted fiscal and economic impact studies for public agencies involving infrastructure, municipal services, and redevelopment. Recent engagements include:

- SDG&E Economic Impact to San Diego Region, 2023
- Golden Pacific Powerlink Economic Impact Analysis, SDG&E, 2026
- El Centro SR-86 Economic Impact Analysis, 2022
- Rainbow/Fallbrook Water Districts Economic Impact Analysis, 2020
- Economic Impact Analyses, Sports Entertainment District, City of Escondido, 2010
- Spring Training Economic Impact Analysis, 2016

For Development Proposals:

LMA has analyzed the prospective fiscal and economic impacts of numerous private real estate development projects, including tax revenue projections, employment impacts, and fiscal feasibility. Recent engagements include:

- New Leaf Battery Storage Fiscal & Economic Impact, Santa Cruz, 2024
- Padres Tailgate Park Fiscal & Economic Impact Analysis, 2018
- De Anza Cove Fiscal & Economic Impact Analysis, 2017
- Baldwin Village 13 Economic Impact Analysis, 2020
- The Preserve at Torrey Highlands Economic Impact Analysis, 2019
- Rockford Ranch Economic Impact Analysis, Menifee, CA, 2018
- TopGolf Economic Impact Analysis, Port of San Diego, 2019

For General Businesses:

LMA has conducted economic impact analyses for private businesses and associations utilizing fiscal and economic modeling. Recent engagements include:

- Del Mar Fairgrounds Economic Impact Analysis, 2009
- Carlsbad Gateway Economic Impact Analysis, 2016
- Alvarado Creek RV Center, Fiscal & Economic Impact Analysis, 2020

- Stone Creek Fiscal & Economic Impact Analysis, Vulcan Materials Company, 2009

Corporate Profile

London Moeder Advisors

REPRESENTATIVE SERVICES

Market and Feasibility Studies	Development Services	Litigation Consulting
Financial Structuring	Fiscal Impact	Workout Projects
Asset Disposition	Strategic Planning	MAI Valuation
Government Processing	Capital Access	Economic Analysis

London Moeder Advisors (formerly The London Group) was formed in 1991 to provide real estate advisory services to a broad range of clientele. **The firm principals, Gary London and Nathan Moeder, combine for over 60 years of experience. We have analyzed, packaged and achieved capital for a wide variety of real estate projects. Clients who are actively pursuing, developing and investing in projects have regularly sought our advice and financial analysis capabilities. Our experience ranges from large scale, master planned communities to urban redevelopment projects, spanning all land uses and development issues of all sizes and types. These engagements have been undertaken principally throughout North America and Mexico.**

A snapshot of a few of the services we render for both the residential and commercial sectors:

- **Market Analysis** for mixed use, urban and suburban properties. Studies concentrate on market depth for specific products, detailed recommendations for product type, absorption and future competition. It also includes economic overviews and forecasts of the relevant communities.

- **Financial Feasibility Studies** for new projects of multiple types, including condominium, apartment, office, and master-planned communities. Studies incorporate debt and equity needs, sensitivity analyses, rates of return and land valuations.

- **Litigation support/expert witness services** for real estate and financial related issues, including economic damages/losses, valuations, historic market conditions and due diligence. We have extensive deposition, trial, mediation and arbitration experience.

- **Investment studies for firms acquiring or disposing of real estate.** Studies include valuation, repositioning projects and portfolios, economic/real estate forecasts and valuation of partnerships. Often, the commercial studies include the valuation of businesses.

- **Estate Planning services** including valuation of portfolios, development of strategies for disposition or repositioning portfolios, succession planning and advisory services for high net worth individuals. We have also been involved in numerous marriage dissolution assignments where real estate is involved.

- **Fiscal Impact, Job Generation and Economic Multiplier Effect Reports**, traditionally prepared for larger commercial projects and in support of Environmental Impact Reports. We have been retained by both developers and municipalities for these reports. The studies typically relate to the tax revenues and employment impacts of new projects.

London Moeder also draws upon the experience of professional relationships in the development, legal services, financial placement fields as well as its own staff. Clients who are actively investigating and investing in apartment projects, retail centers, commercial projects, mixed use developments and large master plans have regularly sought our advice and financial analysis capabilities.

5946 Priestly Drive, Suite 201, Carlsbad, CA 92008 | 619.269.4010

DRAFT

PROFESSIONAL SERVICES AGREEMENT FOR CONSULTANT SERVICES (San Diego County Local Agency Formation Commission / London Moeder Realty Advisors)

1. IDENTIFICATION

This PROFESSIONAL SERVICES AGREEMENT ("Agreement") is entered into by and between San Diego County Local Agency Formation Commission, a California public agency, corporate and politic ("Commission"), and London Moeder Realty Advisors, a California General Partnership ("Consultant").

2. RECITALS

2.1. Commission has determined that it requires the following professional services from a consultant: preparation of a comprehensive fiscal analysis for the proposed incorporation of the community of La Jolla in the City of San Diego, Ca.

2.2. Consultant represents that it is fully qualified to perform such professional services by virtue of its experience and the training, education and expertise of its principals and employees. Consultant further represents that it is willing to accept responsibility for performing such services in accordance with the terms and conditions set forth in this Agreement.

2.3. Consultant represents that it has no known relationships with third parties, Commissioners, or employees of the Commission which would (1) present a conflict of interest with the rendering of services under this Agreement under Government Code Section 1090, the Political Reform Act (Government Code Section 81000 *et seq.*), or other applicable law, (2) prevent Consultant from performing the terms of this Agreement, or (3) present a significant opportunity for the disclosure of confidential information.

NOW, THEREFORE, for and in consideration of the mutual covenants and conditions herein contained, the Commission and Consultant agree as follows:

3. DEFINITIONS

3.1. "Scope of Services": Such professional services as are set forth in Consultant's March 10, 2026 proposal to the Commission attached hereto as Exhibit A and incorporated herein by this reference.

3.2. "Approved Fee Schedule": Consultant's compensation rates are set forth in the fee schedule attached to Exhibit A. This fee schedule shall remain in effect for the duration of this Agreement unless modified in writing by mutual agreement of the parties.

3.3. "Maximum Amount": The highest total compensation and costs payable to Consultant by Commission under this Agreement. The Maximum Amount under this Agreement is One Hundred Fifty Thousand Dollars ($150,000.00).

3.4. "Commencement Date": June 15, 2026.

3.5. "Termination Date": June 15, 2028.

3.6. "Commission Agreement Administrator" means Keene Simonds, Executive Officer.

3.7. "Consultant Project Administrator" means Gary London, Senior Principal.

4. TERM

The term of this Agreement shall commence at 12:00 a.m. on the Commencement Date and shall expire at 11:59 p.m. on the Termination Date unless extended by written agreement of the parties or terminated earlier under Section 15 ("Termination") below. Consultant may request extensions of time to perform the services required hereunder. Such extensions shall be effective if authorized in advance by Commission in writing and incorporated in written amendments to this Agreement.

5. CONSULTANT'S DUTIES

5.1. **Services**. Consultant shall perform the services identified in the Scope of Services. Commission shall have the right to request, in writing, changes in the Scope of Services. Any such changes mutually agreed upon by the parties, and any corresponding increase or decrease in compensation, shall be incorporated by written amendment to this Agreement.

5.2. **Coordination with Commission**. In performing services under this Agreement, Consultant shall coordinate all contact with Commission through its Agreement Administrator.

5.3. **Budgetary Notification**. Consultant shall notify the Agreement Administrator, in writing, when fees and expenses incurred under this Agreement have reached eighty percent (80%) of the Maximum Amount. Consultant shall concurrently inform the Agreement Administrator, in writing, of Consultant's estimate of total expenditures required to complete its current assignments before proceeding, when the remaining work on such assignments would exceed the Maximum Amount.

5.4. **Business License.** Consultant shall obtain and maintain in force a Commission business license for the duration of this Agreement.

5.5. **Professional Standards.** Consultant shall perform all work to the standards of Consultant's profession and in a manner reasonably satisfactory to Commission. Consultant shall keep itself fully informed of and in compliance with all local, state, and federal laws, rules, and regulations in any manner affecting the performance of this

Agreement, including all Cal/OSHA requirements, the conflict of interest provisions of Government Code § 1090 and the Political Reform Act (Government Code § 81000 et seq.).

5.6. **Avoid Conflicts.** During the term of this Agreement, Consultant shall not perform any work for another person or entity for whom Consultant was not working at the Commencement Date if such work would present a conflict interfering with performance under this Agreement. However, Commission may consent in writing to Consultant's performance of such work.

5.7. **Campaign Contributions.** This Agreement is subject to Government Code Section 84308. Consultant shall disclose any contribution in an amount of more than five hundred dollars ($500) made within the preceding 12 months by the Consultant or the Consultant's agent to a Commission Officer or his or her committee. In the case of a contribution, Consultant shall request and provide a signed copy of the Campaign Contribution Disclosure Form to the Commission prior to, or concurrent with, the Consultant's execution of this Agreement.

5.8. **Appropriate Personnel.** Consultant has, or will secure at its own expense, all personnel required to perform the services identified in the Scope of Services. All such services shall be performed by Consultant or under its supervision, and all personnel engaged in the work shall be qualified to perform such services. No change shall be made in Consultant's project administrator without Commission's prior written consent.

5.9. **Substitution of Personnel.** Any persons named in the proposal or Scope of Services constitutes a promise to the Commission that those persons will perform and coordinate their respective services under this Agreement. Should one or more of such personnel become unavailable, Consultant may substitute other personnel of at least equal competence upon written approval of Commission. If Commission and Consultant cannot agree as to the substitution of key personnel, Commission may terminate this Agreement for cause.

5.10. **Permits and Approvals.** Consultant shall obtain, at its sole cost and expense, all permits and regulatory approvals necessary for Consultant's performance of this Agreement. This includes, but shall not be limited to, professional licenses, encroachment permits and building and safety permits and inspections.

5.11. **Notification of Organizational Changes.** Consultant shall notify the Agreement Administrator, in writing, of any change in name, ownership or control of Consultant's firm or of any subcontractor. Change of ownership or control of Consultant's firm may require an amendment to this Agreement.

5.12. **Records.** Consultant shall maintain any and all ledgers, books of account, invoices, vouchers, canceled checks, and other records or documents evidencing or relating to charges for services or expenditures and disbursements charged to Commission under this Agreement for a minimum of three (3) years, or for any longer period required by

law, from the date of final payment to Consultant under this Agreement. All such documents shall be made available for inspection, audit, and/or copying at any time during regular business hours, upon oral or written request of Commission. In addition, pursuant to Government Code Section 8546.7, if the amount of public funds expended under this Agreement exceeds ten thousand dollars, all such documents and this Agreement shall be subject to the examination and audit of the State Auditor, at the request of Commission or as part of any audit of Commission, for a period of three (3) years after final payment under this Agreement.

5.13. **Skilled and Trained Workforce Requirement.** When the use of a skilled and trained workforce is required to complete a contract pursuant to existing law, this contract is subject to such requirement and Consultant agrees to use a skilled and trained workforce.

5.14. **Conflict of Interest Disclosure**. Pursuant to Government Code Section 1097.6, subdivision (c)(1), "[The] [C]onsultant's duties and services under this agreement shall not include preparing or assisting the public entity with any portion of the public entity's preparation of a request for proposals, request for qualifications, or any other solicitation regarding a subsequent or additional contract with the public entity. The public entity entering this agreement shall at all times retain responsibility for public contracting, including with respect to any subsequent phase of this project. [C]onsultant's participation in the planning, discussions, or drawing of project plans or specifications shall be limited to conceptual, preliminary, or initial plans or specifications. [C]onsultant shall cooperate with the public entity to ensure that all bidders for a subsequent contract on any subsequent phase of this project have access to the same information, including all conceptual, preliminary, or initial plans or specifications prepared by [Consultant] pursuant to this agreement."

6. SUBCONTRACTING

6.1. **General Prohibition.** This Agreement covers professional services of a specific and unique nature. Except as otherwise provided herein, Consultant shall not assign or transfer its interest in this Agreement or subcontract any services to be performed without amending this Agreement.

6.2. **Consultant Responsible.** Consultant shall be responsible to Commission for all services to be performed under this Agreement.

6.3. **Identification in Fee Schedule.** All subcontractors shall be specifically listed and their billing rates identified in the Approved Fee Schedule, Exhibit A. Any changes must be approved by the Agreement Administrator in writing as an amendment to this Agreement.

6.4. **Compensation for Subcontractors.** Commission shall pay Consultant for work performed by its subcontractors, if any, only at Consultant's actual cost plus an approved mark-up as set forth in the Approved Fee Schedule, Exhibit A. Consultant shall be liable and accountable for any and all payments, compensation, and federal

and state taxes to all subcontractors performing services under this Agreement. Commission shall not be liable for any payment, compensation, or federal and state taxes for any subcontractors.

7. COMPENSATION

7.1. **General.** Commission agrees to compensate Consultant for the services provided under this Agreement, and Consultant agrees to accept payment in accordance with the Fee Schedule in full satisfaction for such services. Compensation shall not exceed the Maximum Amount. Consultant shall not be reimbursed for any expenses unless provided for in this Agreement or authorized in writing by Commission in advance.

7.2. **Invoices.** Consultant shall submit to Commission an invoice, on a monthly basis or as otherwise agreed to by the Agreement Administrator, for services performed pursuant to this Agreement. Each invoice shall identify the Maximum Amount, the services rendered during the billing period, the amount due for the invoice, and the total amount previously invoiced. All labor charges shall be itemized by employee name and classification/position with the firm, the corresponding hourly rate, the hours worked, a description of each labor charge, and the total amount due for labor charges.

7.3. **Taxes.** Commission shall not withhold applicable taxes or other payroll deductions from payments made to Consultant except as otherwise required by law. Consultant shall be solely responsible for calculating, withholding, and paying all taxes.

7.4. **Disputes.** The parties agree to meet and confer at mutually agreeable times to resolve any disputed amounts contained in an invoice submitted by Consultant.

7.5. **Additional Work.** Consultant shall not be reimbursed for any expenses incurred for work performed outside the Scope of Services unless prior written approval is given by the Commission through a fully executed written amendment. Consultant shall not undertake any such work without prior written approval of the Commission.

7.6. **Commission Satisfaction as Precondition to Payment.** Notwithstanding any other terms of this Agreement, no payments shall be made to Consultant until Commission is satisfied that the services are satisfactory.

7.7. **Right to Withhold Payments.** If Consultant fails to provide a deposit or promptly satisfy an indemnity obligation described in Section 10, Commission shall have the right to withhold payments under this Agreement to offset that amount.

8. OWNERSHIP OF WRITTEN PRODUCTS

All reports, documents or other written material, and all electronic files, including computer-aided design files, developed by Consultant in the performance of this Agreement (such written material and electronic files are collectively known as "written products") shall be and remain the

property of Commission without restriction or limitation upon its use or dissemination by Commission except as provided by law. Consultant may take and retain copies of such written products as desired, but no such written products shall be the subject of a copyright application by Consultant.

9. RELATIONSHIP OF PARTIES

9.1. General. Consultant is, and shall at all times remain as to Commission, a wholly independent contractor.

9.2. No Agent Authority. Consultant shall have no power to incur any debt, obligation, or liability on behalf of Commission or otherwise to act on behalf of Commission as an agent. Neither Commission nor any of its agents shall have control over the conduct of Consultant or any of Consultant's employees, except as set forth in this Agreement. Consultant shall not represent that it is, or that any of its agents or employees are, in any manner employees of Commission.

9.3. Independent Contractor Status. Under no circumstances shall Consultant or its employees look to the Commission as an employer. Consultant shall not be entitled to any benefits. Commission makes no representation as to the effect of this independent contractor relationship on Consultant's previously earned California Public Employees Retirement System ("CalPERS") retirement benefits, if any, and Consultant specifically assumes the responsibility for making such a determination. Consultant shall be responsible for all reports and obligations including, but not limited to: social security taxes, income tax withholding, unemployment insurance, disability insurance, and workers' compensation, and other applicable federal and state taxes.

9.4. **Indemnification of CalPERS Determination.** In the event that Consultant or any employee, agent, or subcontractor of Consultant providing services under this Agreement claims or is determined by a court of competent jurisdiction or CalPERS to be eligible for enrollment in CalPERS as an employee of the Commission, Consultant shall indemnify, defend, and hold harmless Commission for the payment of any employee and/or employer contributions for CalPERS benefits on behalf of Consultant or its employees, agents, or subcontractors, as well as for the payment of any penalties and interest on such contributions, which would otherwise be the responsibility of Commission.

10. INDEMNIFICATION

10.1. **Definitions.** For purposes of this Section 10 , "Consultant" shall include Consultant, its officers, employees, servants, agents, or subcontractors, or anyone directly or indirectly employed by either Consultant or its subcontractors, in the performance of this Agreement. "Commission" shall include Commission, its officers, agents, employees and volunteers.

10.2. **Consultant to Indemnify Commission.** To the fullest extent permitted by law, Consultant shall indemnify, hold harmless, and defend Commission from and against

any and all claims, losses, costs or expenses for any personal injury or property damage arising out of or in connection with Consultant's alleged negligence, recklessness or willful misconduct or other wrongful acts, errors or omissions of Consultant or failure to comply with any provision in this Agreement.

10.3. **Scope of Indemnity.** Personal injury shall include injury or damage due to death or injury to any person, whether physical, emotional, consequential or otherwise, Property damage shall include injury to any personal or real property. Consultant shall not be required to indemnify Commission for such loss or damage as is caused by the sole active negligence or willful misconduct of the Commission.

10.4. **Attorneys Fees.** Such costs and expenses shall include reasonable attorneys' fees for counsel of Commission's choice, expert fees and all other costs and fees of litigation. Consultant shall not be entitled to any refund of attorneys' fees, defense costs or expenses in the event that it is adjudicated to have been non-negligent.

10.5. **Defense Deposit.** The Commission may request a deposit for defense costs from Consultant with respect to a claim. If the Commission requests a defense deposit, Consultant shall provide it within 15 days of the request.

10.6. **Waiver of Statutory Immunity.** The obligations of Consultant under this Section 10 are not limited by the provisions of any workers' compensation act or similar act. Consultant expressly waives its statutory immunity under such statutes or laws as to Commission.

10.7. **Indemnification by Subcontractors.** Consultant agrees to obtain executed indemnity agreements with provisions identical to those set forth here in this Section 10 from each and every subcontractor or any other person or entity involved in the performance of this Agreement on Consultant's behalf.

10.8. **Insurance Not a Substitute.** Commission does not waive any indemnity rights by accepting any insurance policy or certificate required pursuant to this Agreement. Consultant's indemnification obligations apply regardless of whether or not any insurance policies are determined to be applicable to the claim, demand, damage, liability, loss, cost or expense.

11. INSURANCE

11.1. **Insurance Required.** Consultant shall maintain insurance as described in this section and shall require all of its subcontractors, consultants, and other agents to do the same. Approval of the insurance by the Commission shall not relieve or decrease any liability of Consultant Any requirement for insurance to be maintained after completion of the work shall survive this Agreement.

11.2. **Documentation of Insurance.** Commission will not execute this agreement until it has received a complete set of all required documentation of insurance coverage. However,

failure to obtain the required documents prior to the work beginning shall not waive the Consultant's obligation to provide them. Consultant shall file with Commission:

- Certificate of Insurance, indicating companies acceptable to Commission, with a Best's Rating of no less than A:VII showing. The Certificate of Insurance must include the following reference: La Jolla Proposal.
- Documentation of Best's rating acceptable to the Commission.
- Original endorsements effecting coverage for all policies required by this Agreement.
- Complete, certified copies of all required insurance policies, including endorsements affecting the coverage.

11.3. **Coverage Amounts.** Insurance coverage shall be at least in the following minimum amounts:

• Professional Liability Insurance:	$1,000,000 per occurrence, $2,000,000 aggregate
• General Liability:	
• General Aggregate:	$2,000,000
• Products Comp/Op Aggregate	$2,000,000
• Personal & Advertising Injury	$1,000,000
• Each Occurrence	$1,000,000
• Fire Damage (any one fire)	$ 50,000
• Medical Expense (any 1 person)	$ 5,000
• Workers' Compensation:	
• Workers' Compensation	Statutory Limits
• EL Each Accident	$1,000,000
• EL Disease - Policy Limit	$1,000,000
• EL Disease - Each Employee	$1,000,000
• Automobile Liability	
• Any vehicle, combined single limit	$1,000,000

Any available insurance proceeds broader than or in excess of the specified minimum insurance coverage requirements or limits shall be available to the additional insured. Furthermore, the requirements for coverage and limits shall be the greater of (1) the minimum coverage and limits specified in this Agreement, or (2) the broader coverage and maximum limits of coverage of any insurance policy or proceeds available to the named insured

11.4. **General Liability Insurance.** Commercial General Liability Insurance shall be no less broad than ISO form CG 00 01. Coverage must be on a standard Occurrence form. Claims-Made, modified, limited or restricted Occurrence forms are not acceptable.

11.5. **Worker's Compensation Insurance.** Consultant is aware of the provisions of Section 3700 of the Labor Code which requires every employer to carry Workers' Compensation (or to undertake equivalent self-insurance), and Consultant will comply

with such provisions before commencing the performance of the work of this Agreement. If such insurance is underwritten by any agency other than the State Compensation Fund, such agency shall be a company authorized to do business in the State of California.

11.6. **Automobile Liability Insurance.** Covered vehicles shall include owned if any, non-owned, and hired automobiles and, trucks.

11.7. **Professional Liability Insurance or Errors & Omissions Coverage.** The deductible or self-insured retention may not exceed $50,000. If the insurance is on a Claims-Made basis, the retroactive date shall be no later than the commencement of the work. Coverage shall be continued for two years after the completion of the work by one of the following: (1) renewal of the existing policy; (2) an extended reporting period endorsement; or (3) replacement insurance with a retroactive date no later than the commencement of the work under this Agreement.

11.8. **Claims-Made Policies.** If any of the required policies provide coverage on a claims-made basis the Retroactive Date must be shown and must be before the date of the contract or the beginning of contract work. Claims-Made Insurance must be maintained and evidence of insurance must be provided for at least five (5) years after completion of the contract of work. If coverage is canceled or non-renewed, and not replaced with another claims-made policy form with a Retroactive Date prior to the contract effective date, the Consultant must purchase "extended reporting" coverage for a minimum of five (5) years after completion of contract work.

11.9. **Additional Insured Endorsements.** The Commission, its Commissioners , officers, and employees of San Diego Local Agency Formation Commission must be endorsed as an additional insured for each policy required herein, other than Professional Errors and Omissions and Worker's Compensation, for liability arising out of ongoing and completed operations by or on behalf of the Consultant. Consultant's insurance policies shall be primary as respects any claims related to or as the result of the Consultant's work. Any insurance, pooled coverage or self-insurance maintained by the Commission, its elected or appointed officials, directors, officers, agents, employees, volunteers, or consultants shall be non-contributory. All endorsements shall be signed by a person authorized by the insurer to bind coverage on its behalf. General liability coverage can be provided using an endorsement to the Consultant's insurance at least as broad as ISO Form CG 20 10 11 85 or both CG 20 10 and CG 20 37.

11.10. **Failure to Maintain Coverage.** In the event any policy is canceled prior to the completion of the project and the Consultant does not furnish a new certificate of insurance prior to cancellation, Commission has the right, but not the duty, to obtain the required insurance and deduct the premium(s) from any amounts due the Consultant under this Agreement. Failure of the Consultant to maintain the insurance required by this Agreement, or to comply with any of the requirements of this section, shall constitute a material breach of this Agreement.

11.11. **Notices.** Consultant shall provide immediate written notice if (1) any of the required insurance policies is terminated; (2) the limits of any of the required policies are reduced; (3) or the deductible or self-insured retention is increased. Consultant shall provide no less than 30 days' notice of any cancellation or material change to policies required by this Agreement. Consultant shall provide proof that cancelled or expired policies of insurance have been renewed or replaced with other policies providing at least the same coverage. Such proof will be furnished at least two weeks prior to the expiration of the coverages. The name and address for Additional Insured Endorsements, Certificates of Insurance and Notices of Cancellation is: San Diego County Local Agency Formation Commission , Attn: Keene Simonds, 2550 Fifth Avenue, Suite 725, San Diego, California 92103-6624.

11.12. **Consultant's Insurance Primary.** The insurance provided by Consultant, including all endorsements, shall be primary to any coverage available to Commission. Any insurance or self-insurance maintained by Commission and/or its officers, employees, agents or volunteers, shall be in excess of Consultant's insurance and shall not contribute with it.

11.13. **Waiver of Subrogation.** Consultant hereby waives all rights of subrogation against the Commission. Consultant shall additionally waive such rights either by endorsement to each policy or provide proof of such waiver in the policy itself.

11.14. **Report of Claims to Commission.** Consultant shall report to the Commission, in addition to the Consultant's insurer, any and all insurance claims submitted to Consultant's insurer in connection with the services under this Agreement.

11.15. **Premium Payments and Deductibles.** Consultant must disclose all deductibles and self-insured retention amounts to the Commission. The Commission may require the Consultant to provide proof of ability to pay losses and related investigations, claim administration, and defense expenses within retention amounts. Ultimately, Commission must approve all such amounts prior to execution of this Agreement. Commission has no obligation to pay any premiums, assessments, or deductibles under any policy required in this Agreement. Consultant shall be responsible for all premiums and deductibles in all of Consultant's insurance policies. The amount of deductibles for insurance coverage required herein are subject to Commission's approval.

11.16. **Duty to Defend and Indemnify.** Consultant's duties to defend and indemnify Commission under this Agreement shall not be limited by the foregoing insurance requirements and shall survive the expiration or early termination of this Agreement.

12. MUTUAL COOPERATION

12.1. **Commission Cooperation in Performance.** Commission shall provide Consultant with all pertinent data, documents and other requested information as is reasonably available for the proper performance of Consultant's services under this Agreement.

12.2. **Consultant Cooperation in Defense of Claims.** If any claim or action is brought against Commission relating to Consultant's performance in connection with this Agreement, Consultant shall render any reasonable assistance that Commission may require in the defense of that claim or action.

13. NOTICES

Any notices, bills, invoices, or reports required by this Agreement shall be deemed received on: (i) the day of delivery if delivered by hand, email, or overnight courier service during Consultant's and Commission's regular business hours; or (ii) on the third business day following deposit in the United States mail if delivered by mail, postage prepaid, to the addresses listed below (or to such other addresses as the parties may, from time to time, designate in writing).

If to Commission
Keene Simonds
Executive Officer
San Diego Local Agency Formation Commission
2550 Fifth Avenue, Suite 725
San Diego, California 92103-6624
Phone: 858-614-7755
Email: Keene.Simonds@sdcounty.ca.gov

If to Consultant
Gary London
Senior Principal
London Moeder Realty Advisors
5946 Priestly Drive, Suite 201
Carlsbad, California 92008
Phone: 619-269-4010
Email: glondon@londonmoeder.com

With courtesy copy to:
Holly O. Whatley, Esq.
General Counsel
Colantuono, Highsmith & Whatley, PC
790 E. Colorado Blvd.., Ste. 850
Pasadena, Angeles, CA 91101
Phone: 213-542-5700
Email: hwhatley@chwlaw.us

14. SURVIVING COVENANTS

The parties agree that the covenants contained in Section 5.12 (Records), Section 9.4 (Indemnification of CalPERS Determination), Section 10 (Indemnification), Section 11.8 (Claims-Made Policies), paragraph 11.13 (Waiver of Subrogation), Section 12.2 (Consultant Cooperation in Defense of Claims), Section 14 (Surviving Covenants), Section 16 (Interpretation of Agreement), and Section 19 (General Provisions) of this Agreement shall survive the expiration or termination of this Agreement, subject to the provisions and limitations of this Agreement and all otherwise applicable statutes of limitations and repose.

15. TERMINATION

15.1. **Commission Termination.** Commission may terminate this Agreement for any reason on five calendar days' written notice to Consultant. Consultant agrees to cease all work

under this Agreement on or before the effective date of any notice of termination. All Commission data, documents, objects, materials or other tangible things shall be returned to Commission upon the termination or expiration of this Agreement.

15.2. **Consultant Termination.** Consultant may terminate this Agreement for a material breach of this Agreement by the Commission upon 30 days' notice.

15.3. **Compensation Following Termination.** Upon termination, Consultant shall be paid based on the work satisfactorily performed at the time of termination. In no event shall Consultant be entitled to receive more than the amount that would be paid to Consultant for the full performance of the services required by this Agreement. The Commission shall have the benefit of such work as may have been completed up to the time of such termination.

15.4. **Remedies.** Commission retains any and all available legal and equitable remedies for Consultant's breach of this Agreement.

16. INTERPRETATION OF AGREEMENT

16.1. **Governing Law.** This Agreement shall be governed and construed in accordance with the laws of the State of California.

16.2. **Integration of Exhibits.** All documents referenced as exhibits in this Agreement are hereby incorporated into this Agreement. In the event of any material discrepancy between the provisions of this Agreement and its exhibits, the provisions of this Agreement shall prevail. In the event of any material discrepancy between the express provisions of this Agreement and the exhibits of this Agreement, the provisions of this Agreement shall prevail. This instrument contains the entire Agreement between Commission and Consultant with respect to the transactions contemplated herein. No other prior oral or written agreements are binding upon the parties. Amendments hereto or deviations herefrom shall be effective and binding only if made in writing and executed on by Commission and Consultant.

16.3. **Headings.** The headings and captions appearing at the commencement of the sections hereof, and in any paragraph thereof, are descriptive only and for convenience in reference to this Agreement. Should there be any conflict between such heading, and the section or paragraph thereof at the head of which it appears, the language of the section or paragraph shall control and govern in the construction of this Agreement.

16.4. **Pronouns.** Masculine or feminine pronouns shall be substituted for the neuter form and vice versa, and the plural shall be substituted for the singular form and vice versa, in any place or places herein in which the context requires such substitution(s).

16.5. **Severability.** If any term or provision of this Agreement or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, then such term or provision shall be amended to, and solely to the extent necessary to, cure such invalidity or unenforceability, and shall be enforceable in its amended form. In such

event, the remainder of this Agreement, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected, and each term and provision of this Agreement shall be valid and be enforced to the fullest extent permitted by law.

16.6. **No Presumption Against Drafter.** Each party had an opportunity to consult with an attorney in reviewing and drafting this agreement. Any uncertainty or ambiguity shall not be construed for or against any party based on attribution of drafting to any party.

17. CONFLICT OF INTEREST DISCLOSURE

Pursuant to Government Code Section 1097.6, subdivision (c)(1), "[The] [C]onsultant's duties and services under this agreement shall not include preparing or assisting the public entity with any portion of the public entity's preparation of a request for proposals, request for qualifications, or any other solicitation regarding a subsequent or additional contract with the public entity. The public entity entering this agreement shall at all times retain responsibility for public contracting, including with respect to any subsequent phase of this project. [C]onsultant's participation in the planning, discussions, or drawing of project plans or specifications shall be limited to conceptual, preliminary, or initial plans or specifications. [C]onsultant shall cooperate with the public entity to ensure that all bidders for a subsequent contract on any subsequent phase of this project have access to the same information, including all conceptual, preliminary, or initial plans or specifications prepared by [Consultant] pursuant to this agreement."

18. GENERAL PROVISIONS

18.1. **Confidentiality.** All data, documents, discussion, or other information developed or received by Consultant for performance of this Agreement are deemed confidential and Consultant shall not disclose it without prior written consent by Commission. Commission shall grant such consent if disclosure is legally required. All Commission data shall be returned to Commission upon the termination or expiration of this Agreement.

18.2. **Conflicts of Interest.** Consultant maintains and warrants that it has not employed nor retained any company or person, other than a bona fide employee working solely for Consultant, to solicit or secure this Agreement. Further, Consultant warrants that it has not paid nor has it agreed to pay any company or person, other than a bona fide employee working solely for Consultant, any fee, commission, percentage, brokerage fee, gift or other consideration contingent upon or resulting from the award or making of this Agreement. Consultant further agrees to file, or shall cause its employees or subcontractor to file, a Statement of Economic Interest with the Commission's Filing Officer if required under state law in the performance of the services. For breach or violation of this warranty, Commission shall have the right to rescind this Agreement without liability. For the term of this Agreement, no member, officer, or employee of Commission, during the term of his or her service with Commission, shall have any direct interest in this Agreement, or obtain any present or anticipated material benefit arising therefrom.

18.3. **Non-assignment.** Consultant shall not delegate, transfer, subcontract or assign its duties or rights hereunder, either in whole or in part, without Commission's prior written consent, and any attempt to do so shall be void and of no effect. Commission shall not be obligated or liable under this Agreement to any party other than Consultant.

18.4. **Binding on Successors.** This Agreement shall be binding on the successors and assigns of the parties.

18.5. **No Third-Party Beneficiaries.** Except as expressly stated herein, there is no intended third-party beneficiary of any right or obligation assumed by the parties.

18.6. **Time of the Essence.** Time is of the essence for each and every provision of this Agreement.

18.7. **Non-Discrimination.** Consultant shall not discriminate against any employee or applicant for employment because of race, sex (including pregnancy, childbirth, or related medical condition), creed, national origin, color, disability as defined by law, disabled veteran status, Vietnam veteran status, religion, age (40 and above), medical condition (cancer-related), marital status, ancestry, or sexual orientation. Employment actions to which this provision applies shall include, but not be limited to, the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; or in terms, conditions or privileges of employment, and selection for training. Consultant agrees to post in conspicuous places, available to employees and applicants for employment, the provisions of this nondiscrimination clause.

18.8. **Waiver.** No provision, covenant, or condition of this Agreement shall be deemed to have been waived by Commission or Consultant unless in writing signed by one authorized to bind the party asserted to have consented to the waiver. The waiver by Commission or Consultant of any breach of any provision, covenant, or condition of this Agreement shall not be deemed to be a waiver of any subsequent breach of the same or any other provision, covenant, or condition.

18.9. **Excused Failure to Perform.** Consultant shall not be liable for any failure to perform if Consultant presents acceptable evidence, in Commission's sole judgment, that such failure was due to causes beyond the control and without the fault or negligence of Consultant.

18.10. **Remedies Non-Exclusive.** Each right, power and remedy provided for herein or now or hereafter existing at law, in equity, by statute, or otherwise shall be cumulative and shall be in addition to every other right, power, or remedy provided for herein or now or hereafter existing at law, in equity, by statute, or otherwise. The exercise, the commencement of the exercise, or the forbearance from the exercise by any party of any one or more of such rights, powers or remedies shall not preclude the simultaneous or later exercise by such party of any or all of such other rights, powers or remedies.

18.11. **Attorneys' Fees.** If legal action shall be necessary to enforce any term, covenant or condition contained in this Agreement, the prevailing party shall be entitled to an award of reasonable attorneys' fees and costs expended in the action.

18.12. **Venue.** The venue for any litigation shall be San Diego County, California and Consultant hereby consents to sole jurisdiction in San Diego County for purposes of resolving any dispute or enforcing any obligation arising under this Agreement.

18.13. **Counterparts; Electronic Signatures.** This Agreement may be signed in one or more counterparts, each of which shall be deemed an original, but all of which together shall be deemed one and the same instrument. The parties acknowledge and agree that this Agreement may be executed by electronic signature, which shall be considered as an original signature for all purposes and shall have the same force and effect as an original signature. Without limitation, "electronic signature" shall include faxed or emailed versions of an original signature, electronically scanned and transmitted versions (e.g., via pdf) of an original signature, or a digital signature.

TO EFFECTUATE THIS AGREEMENT, the parties have caused their duly authorized representatives to execute this Agreement on the dates set forth below.

"COMMISSION" San Diego County Local Agency Formation Commission	"CONSULTANT" London Moeder Realty Advisors
Authorized Signatories:	
Signature:_____	Signature:_____
Printed:_____	Printed:_____
Title: _____	Title: _____
Date: _____	Date: _____

Attest:

Signature:_____

Printed:_____

Title: _____

Date: _____

Approved as to Form:

Signature:_____

Printed:_____

Title: _____

Date: _____

EXHIBIT A
Scope of Services

Scope of Work and Schedule

The following scope of work is organized to align with the sample scope provided in Appendix A of the RFP, while reflecting LMA's proposed methodology and approach. The scope is designed to satisfy all statutory requirements under Government Code §§56800–56815 and LAFCO's local policies.

Task 1: Project Initiation and Boundary Scenarios

LMA will coordinate with LAFCO staff to confirm project assumptions, schedule, deliverables, and data requirements. We will conduct a kickoff meeting to establish communication protocols and stakeholder coordination procedures. We will identify and evaluate alternative boundary scenarios early in the process to assess fiscal, service, and revenue-neutrality impacts, incorporating approved boundary scenarios into all subsequent analyses.

- Deliverable: Project work plan, communication protocol, boundary scenario analysis memorandum

Task 2: Data Collection and Verification

LMA will prepare a comprehensive inventory of existing agencies and public service providers within the proposed incorporation area. We will coordinate the collection of financial and service-level data from all affected public agencies, including the City of San Diego, relevant special districts, franchise agencies, school districts, and the County. All data will be reviewed and validated for consistency, accuracy, and statutory compliance, with documented assumptions and methodologies where data must be estimated or adjusted.

- Deliverable: Data collection matrix, validated base-year financial data summary

Task 3: Service Plan Analysis

We will analyze existing and proposed municipal service responsibilities, evaluating whether services would be provided directly by the new city or through contractual arrangements. The analysis will cover all required and optional municipal services, including public safety, public works, land use planning, community services, utilities, and other municipal functions. We will identify agencies affected by service transfers and assess alternative service delivery models, including staffing, contracting, and governance structures.

- Deliverable: Municipal service plan analysis with alternative delivery model evaluation

Task 4: Base Year Costs and Revenues

LMA will develop estimates of base-year municipal service costs based on service assumptions established in Task 3, including all direct and indirect costs. We will identify administrative cost reductions to affected agencies resulting from service transfers and establish base-year revenues consistent with statutory requirements. Cost assumptions will be benchmarked against comparable California cities.

- Deliverable: Base-year cost and revenue estimates with benchmarking analysis

Task 5: Property Tax Transfer Calculation

We will calculate the estimated property tax transfer from the City of San Diego, County of San Diego, and/or affected special districts to the proposed City of La Jolla pursuant to Government Code §56810. The calculation will apply the Auditor-Controller's ratio methodology and thoroughly document all assumptions, data sources, and methodologies.

- Deliverable: Property tax transfer calculation memorandum

Task 6: Revenue Neutrality Analysis and Mitigation

LMA will evaluate fiscal impacts to all affected agencies to determine whether the incorporation would result in negative financial effects. We will identify and quantify revenue neutrality impacts and develop mitigation measures and payment scenarios to achieve revenue neutrality, including adjustments for alternative boundary configurations. The revenue neutrality analysis will model multiple scenarios to provide LAFCO and the negotiating parties with a range of defensible options.

- Deliverable: Revenue neutrality impact analysis with mitigation payment scenarios

Task 7: Budget Projections

We will prepare 10-year budget projections for the proposed City of La Jolla, including all projected revenues, expenditures, and impacts to affected agencies. Projections will be presented on a cash basis with clearly stated assumptions for inflation factors, growth rates, and economic conditions. The projections will exceed the statutory minimum of three years, covering the first 10 fiscal years as directed by LAFCO staff.

- Deliverable: 10-year budget projection model and summary tables

Task 8: Appropriations Limit Analysis

LMA will estimate the proposed city's appropriations limit pursuant to Government Code §56812, documenting assumptions related to population growth, inflation, and proceeds of taxes. The analysis will provide sufficient information to support future voter consideration of a permanent appropriations limit.

- Deliverable: Appropriations limit calculation and supporting documentation

Task 9: Transition Period and Effective Date Analysis

We will analyze fiscal implications associated with the anticipated effective date of incorporation and the transition period between incorporation and full assumption of municipal service responsibility. The analysis will estimate potential reimbursement to the City of San Diego for the net cost of services during the transition period and identify cash flow considerations and startup funding needs.

- Deliverable: Transition period fiscal impact memorandum

Task 10: Financial Feasibility Determination

LMA will evaluate whether the proposed city is expected to receive sufficient revenues to provide services and maintain reasonable reserves during the first 10 fiscal years following incorporation. The feasibility determination will consider economic, legal, social, and operational factors, with findings clearly summarized to support LAFCO's required determinations.

- Deliverable: Financial feasibility determination and summary findings

Task 11: Reporting and Deliverables

We will prepare a clear, well-documented CFA suitable for inclusion in LAFCO's Executive Officer's report. The CFA will include comprehensive tables, figures, and appendices that transparently present assumptions, calculations, and results. LMA principals will participate in meetings with LAFCO staff and attend public hearings, meetings, or workshops as requested by LAFCO throughout the process.

- Deliverable: Draft CFA, Final CFA, Executive Summary, presentations as requested

Project Schedule

The following proposed preliminary schedule aligns with LAFCO's anticipated timeline, with work commencing in April 2026 and a draft CFA delivered by April 2027:

Task / Milestone	Target Start	Target Completion
Contract Execution & Kickoff	April 2026	April 2026
Task 1: Project Initiation & Boundary Scenarios	April 2026	May 2026
Task 2: Data Collection & Verification	May 2026	July 2026
Task 3: Service Plan Analysis	June 2026	August 2026
Task 4: Base Year Costs & Revenues	July 2026	September 2026
Task 5: Property Tax Transfer Calculation	August 2026	October 2026
Task 6: Revenue Neutrality Analysis	September 2026	November 2026
Task 7: Budget Projections (10-Year)	October 2026	December 2026
Task 8: Appropriations Limit Analysis	November 2026	December 2026
Task 9: Transition Period Analysis	December 2026	January 2027
Task 10: Financial Feasibility Determination	January 2027	February 2027
Task 11: Draft CFA Preparation	February 2027	March 2027
Draft CFA Release to LAFCO	—	**April 2027**
Public Review & Revisions	April 2027	May 2027
Final CFA Delivery	—	**June 2027**

Note: The above schedule is subject to adjustment based on data availability, stakeholder responsiveness, and LAFCO direction. Several tasks will run concurrently to maintain the overall timeline. LMA will provide monthly progress updates to LAFCO staff.

Budget

The total proposed budget for the Comprehensive Fiscal Analysis is $170,000. This budget encompasses all professional services, data acquisition, analysis, reporting, and presentations as outlined in the scope of work. We have prepared our budget breakdown by major task area, as follows:

Task / Category	Estimated Fee
Task 1: Project Initiation & Boundary Scenarios	$9,500
Task 2: Data Collection & Verification	$13,000
Task 3: Service Plan Analysis	$13,000
Task 4: Base Year Costs & Revenues	$12,500
Task 5: Property Tax Transfer Calculation	$11,000
Task 6: Revenue Neutrality Analysis & Mitigation	$14,000
Task 7: Budget Projections (10-Year)	$13,500
Task 8: Appropriations Limit Analysis	$8,500
Task 9: Transition Period & Effective Date Analysis	$10,500
Task 10: Financial Feasibility Determination	$9,500
Task 11: Reporting, Deliverables & Presentations	$13,500
Data Acquisition & Third-Party Costs	$9,500
Project Management & Stakeholder Coordination	$12,000
Total Budget	**$150,000**

Staffing Plan and Billing Rates

Team members and leadership will participate in each task, contributing their time, as follows:

Team Member	Role	Hourly Rate	Est. Hours	Total
Gary H. London	Senior Principal	$450	75	$33,750
Nathan Moeder	Principal / Project Lead	$450	119	$53,550
	Senior Analysts	$275	228	$62,700
				$150,000

Invoicing Schedule

LMA proposes to invoice LAFCO monthly based on work completed, aligned with the task milestones outlined in the project schedule. Alternatively, we are amenable to an invoicing schedule structured around major deliverable milestones, as LAFCO may prefer.

7b

AGENDA REPORT
Business | Discussion

June 15, 2026

TO: Chair Becker and Commissioners

FROM: Priscilla Mumpower, Assistant Executive Officer

SUBJECT: **Quarterly Update on FY2026 Workplan**

SUMMARY

The San Diego County Local Agency Formation Commission (LAFCO) will receive a quarterly update on the current fiscal year workplan and related staff activities as part of its business calendar. This item is presented for discussion only and offers the Commission an opportunity to provide feedback on current and future workplan activities.

BACKGROUND

San Diego LAFCO adopted its current fiscal year workplan at its May 2025 public hearing. The workplan comprises 30 special projects ranked across six priority levels.

DISCUSSION

This item is for San Diego LAFCO to discuss the status of the adopted workplan, with emphasis on recent progress, near-term priorities, and longer-term initiatives expected to shape staff activities into the next fiscal year A complete accounting of all 30 projects is provided as Attachment One; the summary below highlights the most notable items.

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Overall Status

Staff has advanced the workplan across all priority tiers. Of the 30 active projects, nine are now complete or closed out, headlined by the wholesale water service providers MSR, the SALC Planning Grant 2.0, the outside auditor RFP and selection, and the recurring administrative commitments (Special Districts and Cities Advisory Committees).[1] Three projects are nearing completion: the Carlsbad and Encinitas MSRs and the FY2025 outside audit. Another eight are actively underway, among them the healthcare districts and SANDAG MSRs, the homeless-services and reservoir-recreation white papers, and the Oceanside Small Craft Harbor District governance study.

Near-Term Priorities and Data-Range Updates

All projects still underway as part of the current workplan have been carried forward into the new workplan adopted for the upcoming fiscal year. Staff's primary focus through the first six months of the upcoming fiscal year involves three high-priority MSRs – healthcare districts, SANDAG, and the Encinitas Subregion – as well as the homeless-services white paper and the website refresh project. Additionally, drawing on the Commission's input at the May meeting regarding the draft wholesale water MSR, staff has also begun extending the reporting periods for the three aforementioned MSRs through fiscal year 2025. Staff anticipates applying the same approach to future studies, as appropriate, to keep technical analyses current as they reach the Commission for consideration.

Longer-Term Initiatives

Staff is also advancing several longer-term projects within the current workplan, each expected to require additional resources well into the upcoming fiscal year. These include the San Diego Port District MSR and the regional MSRs for San Marcos and Vista, along with continued work on the RCD 2.0 project and the Oceanside Small Craft Harbor District governance study. Although these efforts vary with respect to their current status, staff anticipates they will grow more prominent through the second half of 2027.

ANALYSIS

None.

RECOMMENDATION

Discussion only.

[1] At its May meeting, on receiving the complete San Diego County Water Authority draft, the Commission discontinued its wholesale water MSR. A majority of the Commission found that the document's data range (2009 to 2023) had fallen out of date and that updating it would be too substantial given competing priorities alongside CWA's progress on the draft's core concerns.

ALTERNATIVES FOR ACTION

None.

PROCEDURES

This item has been placed on San Diego LAFCO's agenda for discussion as part of the business calendar. The following procedures are recommended:

1) Receive verbal presentation from staff unless waived.
2) Invite comments from interested audience members if any.
3) Discuss and provide general feedback as needed.

On behalf of the Executive Officer,

Priscilla Mumpower
Assistant Executive Officer

Attachment:

1) 2025-2026 Workplan Status

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ADOPTED WORKPLAN FOR FY2025-2026
Status as of June 5, 2026

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

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

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

Complete | Near Complete | Underway | Pending

7c

AGENDA REPORT
Business | Action

June 15, 2026

TO: Chair Becker and Commissioners

FROM: Michaela Peters, Analyst II
Meghan Traynor, Analyst I

SUBJECT: **Final Report on State Planning Grant | Helping Bridge the Economic Gap of Small-Scale Farming (SALC 2.0)**

SUMMARY

The San Diego County Local Agency Formation Commission (LAFCO) will receive the final report for its Sustainable Agricultural Lands Conservation (SALC) planning grant, known as SALC 2.0. The report represents the culmination of a collaborative effort between LAFCO and the County of San Diego's Planning & Development Services (PDS) to identify strategies that support the long-term viability of small-scale agriculture in the region. The report consolidates technical analyses, stakeholder input, implementation recommendations, and planning tools into a comprehensive framework for advancing agricultural sustainability in San Diego County. The findings help to quantify and sharpen a familiar concern: the region's small farms remain viable but operate on thin margins – averaging roughly 13% – and readily vulnerable to changes in water and labor costs. Stakeholder engagement identified water affordability as the most significant challenge facing the sector. In response, the report identifies potential actions, a pilot project, and coordination opportunities to support the sector. It also outlines potential future roles for LAFCO and includes several recommendations for formal consideration by the Commission, including facilitating regional agricultural water coordination, expanding consideration of agricultural economics in planning activities, and monitoring implementation progress through periodic reporting. It is recommended the Commission formally receive and file the report and provide related direction to LAFCO staff with respect to pursuing one or more of the report's recommendations.

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BACKGROUND

Sustainable Agricultural Lands Conservation Program

The SALC program was created in 2014 as a component of the California Strategic Growth Council and administered by the Department of Conservation. It is funded primarily through California Climate Investments – the statewide program that directs cap-and-trade auction proceeds toward reducing greenhouse gas emissions – and supports both agricultural conservation easement acquisitions and planning grants. The principal goals of SALC are to:

- Protect at-risk agricultural lands from sprawl, promote infill growth within existing jurisdictions, maintain open space, and support a healthy agricultural economy.

- Further the purpose of Assembly Bill 32 by avoiding increases in greenhouse gas emissions associated with conversion of agricultural lands to higher-emission uses.

Grant Application and Approval | San Diego LAFCO and County of San Diego PDS

Building upon findings from SALC 1.0 – which identified the need for commodity-specific market analyses to better understand future agricultural opportunities and constraints – San Diego LAFCO, in partnership with PDS, submitted a SALC planning grant application in September 2022.[1] The proposal sought to quantify and evaluate economic challenges facing local agricultural producers, particularly small-scale farms, and identify opportunities for public policy interventions to strengthen long-term agricultural viability. Following Commission authorization and subsequent approval by the California Department of Conservation, LAFCO was awarded a two-year planning grant in the full amount of $500,000, with project implementation commencing in June 2023.[2]

San Diego LAFCO subsequently partnered with Agricultural Impact Associates and Rick Engineering, working collaboratively with PDS. The grant was organized around six primary tasks and deliverables: Grant Management; Market Analysis; Gap Analysis; Outreach & Education; Strategic Action Plan; and Final Report (*Cultivating Solutions*).

DISCUSSION

This item is for San Diego LAFCO to receive the final report for SALC 2.0, titled *Cultivating Solutions*, marking completion of the planning grant. The report synthesizes the project's market and gap analyses, stakeholder engagement, and Strategic Action Plan into a single framework for supporting the long-term viability of agriculture in San Diego County. In

1 The SALC 1.0 Final Report is provided for context as Attachment Three.

2 San Diego LAFCO and PDS signed a Memorandum of Understanding (MOU) in August 2023 following the Commission's approval of a draft MOU at its August 7, 2023 meeting. The MOU formalized roles and responsibilities in proceeding with SALC 2.0 and designated specific tasks to San Diego LAFCO and PDS. The grant was originally scheduled through September 2025 and has since been amended to reach completion by June 2026.

addition to receiving and filing the report, the Commission is asked to consider its recommendations and provide related direction to staff as appropriate.

With respect to the report itself, it is premised on recognizing the protection of farmland and keeping farms profitable are explicitly tied. The report accordingly is structured to measure whether, and under varying conditions, small-scale agriculture in San Diego County remains economically viable and at what economic margins. The report is anchored by a countywide market analysis of core measures – the number of farms, acreage in production, expenses, and earnings – drawing on a recent USDA census data and San Diego County Crop Report paired with operating data supplied by local producers.[3] A gap analysis expands to evaluate the individual-farm scale, modeling four representative crops – avocados, lemons, strawberries, and tomatoes – and testing how profitability shifts as key variables (water cost, labor, market price, and yield) change. An expanded discussion of the report's analytical method, organized by project task, along with the related findings is provided in Appendix A.

Specific to LAFCO, the report identifies three potential roles for the Commission in supporting the region's small farms going forward.

1. Coordinate with regional partners to explore establishment of a Regional Agricultural Water Advisory Committee to help address water affordability and efficiency issues;

2. Expand consideration of agricultural economic conditions and contributions in Municipal Service Reviews and other planning efforts, where appropriate; and

3. Support implementation tracking through the development of an implementation strategy and annual progress reporting on Strategic Action Plan recommendations.

ANALYSIS

See Attachment One.

RECOMMENDATION

This item is presented to San Diego LAFCO as part of a planned presentation with a request for the Commission to formally support the recommendations in the Final Report.

ALTERNATIVES FOR ACTION

The following alternative actions are available to San Diego LAFCO:

<u>Alternative One (recommended):</u>
Support the recommendations as presented in the Final Report.

[3] The analysis drew on USDA and county-level agricultural statistics, in-person farm visits conducted by Agriculture Impact Associates, and anonymous Schedule F (Form 1040) data used by farmers and agricultural business owners to report farm income and losses.

Alternative Two:
Continue consideration of the item to a future meeting.

Alternative Three:
Take no action.

PROCEDURES

This item has been placed on San Diego LAFCO's agenda for action as part of the business calendar. The following procedures are recommended in the consideration of this item:

1) Receive verbal presentation from staff unless waived.
2) Invite comments from interested audience members.
3) Discuss item and provide any related feedback.

On behalf of staff,

Michaela Peters

Michaela Peters
Local Government Analyst II

Attachments:

1) Final Report: "Cultivating Solutions" (Online only)
2) Strategic Action Plan (SAP) (Online only)
3) SALC 1.0: Final Report (Online only)
4) SALC 2.0: Market Analysis (Online only)
5) SALC 2.0 Gap Analysis (Online only)
6) Correspondence/SALC Recommendation – Edward Grangetto

Appendix A

The SALC 2.0 grant produced four primary work products that collectively informed the project's recommendations. The Market Analysis established baseline economic conditions affecting agriculture in San Diego County, the Gap Analysis evaluated crop-level profitability, the Strategic Action Plan identified potential implementation strategies, and the Final Report integrated these findings into a single framework intended to support long-term agricultural sustainability.

Supporting these efforts were project management and stakeholder engagement activities, including grant administration, consultant coordination, and outreach to agricultural producers, partner agencies, and other interested parties. While these activities did not result in technical reports, they provided the administrative and public engagement foundation necessary to complete the project's analytical and planning components.

A brief summary of key tasks follows.

Task 2 | Market Analysis

The Market Analysis evaluated countywide agricultural trends, economic conditions, and cost pressures affecting producers. Key findings follow.

1. **Trends:** San Diego County is currently losing an average of 18 acres of farmland per day and one farm approximately every three and one-half days.

2. **Expenses:** Analysis of 4,031 farms identified property taxes as the most common expense and labor as the largest operating cost, averaging $283,334 per farm in 2022. Most farm expenses increased faster than inflation over the preceding 20 years, particularly fertilizer, chemicals, and labor.

3. **Profits:** Financial data provided by local producers showed significant fluctuations in operating profit over time, with average margins of approximately 13% in 2022 – below the 25% threshold commonly cited as indicative of long-term financial health.

The Market Analysis established the baseline economic conditions affecting agriculture in San Diego County and provided the empirical foundation for subsequent phases of the SALC 2.0 project. Findings highlighted the scale of agricultural land conversion, increasing cost pressures, and profitability concerns affecting the long-term viability of farming operations.

The full report (Market Analysis) is provided as Attachment Four.

Task 3 | Gap Analysis

The Gap Analysis examined profitability challenges associated with four targeted crops — strawberries, lemons, tomatoes, and avocados.[4] Key findings include:

- Profitability varied significantly among the four crops evaluated.
- Under modeled 2022 conditions, avocados, lemons, and tomatoes generated positive net returns, while strawberries generated negative returns.[5]
- Profitability was found to be highly sensitive to water costs, labor expenses, market prices, and crop yields, with water affordability emerging as a particularly significant factor affecting agricultural viability.

These findings informed development of the Strategic Action Plan and Final Report.[6] The analysis also demonstrated that relatively small changes in water costs, labor expenses, market prices, and crop yields could significantly affect profitability outcomes, underscoring the importance of addressing agricultural affordability and operational resilience.

The project also produced the Agricultural Profitability Assessment Tool (AG-PAT), an Excel-based model that allows users to evaluate farm-level profitability under varying cost, yield, and market scenarios. The tool is publicly available on San Diego LAFCO's website.

The full report (Gap Analysis) is provided as Attachment Five.

Task 5 | Strategic Action Plan

The Strategic Action Plan served as a foundational component of the broader Final Report and translated the findings of the Market Analysis and Gap Analysis into implementation-oriented strategies. Developed through extensive stakeholder engagement, including the Forum for Cultivating Solutions and coordination with agricultural partners and public agencies, the Strategic Action Plan identified a series of flexible "Tools" and "Field Actions" intended to support agricultural sustainability in San Diego County, and organized around four long-term goals, or "Seeds":

1. Improve infrastructure and systems supporting local producers;
2. Grow consumer awareness and local market demand;
3. Cultivate a supportive policy environment; and

[4] The four crops were selected based on stakeholder input received through project workshops, surveys, interviews, and other outreach activities, and were identified as commodities warranting focused analysis due to their economic significance and/or unique production challenges within San Diego County.

[5] Crop-specific findings showed avocados were highly sensitive to water costs, yield variability, and price fluctuations; lemons faced price volatility despite relatively stable production costs; strawberries achieved high gross revenues but operated with narrow margins due to labor and market pressures; and tomatoes were constrained by labor intensity, price competition, and limited economies of scale.

[6] Complementing these technical analyses, stakeholder engagement activities — including workshops, public review periods, interviews, and coordination with producers, partner organizations, public agencies, and underserved agricultural communities – helped validate findings, identify implementation priorities, and inform the development of the Strategic Action Plan and Final Report.

4. Foster regional alignment and agricultural advocacy.

Collectively, the Strategic Action Plan established an implementation framework consisting of policy, programmatic, partnership, and educational strategies intended to support agricultural sustainability and guide future action by public agencies, agricultural organizations, and other stakeholders.

Task 6 | Final Report ("Cultivating Solutions")

The Final Report, titled *Cultivating Solutions*, represents the culminating deliverable of the SALC 2.0 grant and integrates the project's technical analyses, stakeholder engagement findings, implementation strategies, and supporting tools into a single framework for advancing agricultural sustainability in San Diego County. In addition to consolidating prior work products, the report identifies implementation priorities, a pilot project concept focused on agricultural water affordability and efficiency, opportunities for continued regional collaboration, and performance measures intended to support ongoing implementation and monitoring efforts.

Among its recommendations are three potential future roles for San Diego LAFCO:

1. Coordinate with regional partners to establish a Regional Agricultural Water Advisory Committee to evaluate the impacts of state and local water policies on agriculture and identify opportunities to improve agricultural water affordability and efficiency;

2. Expand consideration of agricultural economics within local planning efforts, including Municipal Service Reviews, to better recognize and communicate the contributions of the region's agricultural industry; and,

3. Develop an implementation strategy and provide annual progress reports to the Commission and stakeholders regarding the status of Strategic Action Plan recommendations.

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