SAN DIEGO LAFCO

COMMISSION MEETING
MAY 4, 2026

SAN DIEGO LAFCO

Agenda Item No. 6a

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

5/4/2026

SAN DIEGO LAFCO

COMMISSION MEETING
May 4, 2026

Wholesale Water Service Providers Municipal Service Review | Part 1

San Diego County Water Authority

Agenda Item No. 6a | Draft Presentation

HOW THIS MSR IS ORGANIZED

SAN DIEGO LAFCO

PART I — TODAY

San Diego County Water Authority

- ✓ Draft Presentation + Commission review
- ✓ **If on track → 45-day public review**
- ✓ Final version as early as Aug. 2026

PART II – UPCOMING

Metropolitan Water District of So. Cal.

- → Technical Review period ended May 1
- → 60-day agency review begins ~May 8
- → Draft Presentation → ~Aug. 2026
- → Final Presentation as early as Oct. 2026

BACKGROUND

What is an MSR and Why it Matters

LAFCO's Core Tool

Planning and oversight instrument under state law – independent assessment.

Independent Evaluation

Assesses an agency's ability to provide services now and into the future.

Informs Key Decisions

Sphere of influence updates, boundary decisions, and potential governance changes.

CONTEXT

Why This MSR? Why Now?

First of Its Kind

First stand-alone wholesale water MSR in San Diego LAFCO history.

Insights Learned

Grew out of key insights from the Fallbrook Public Utility District & Rainbow Municipal Water District (member agency) detachments.

Comprehensive Scope

Designed to assess overall performance, governance, and long-term sustainability of wholesale water service in San Diego.

POLICY FRAMEWORK

Local Policy Context

Policy L-106

Executive Officer:

- Set scope and scale
- Noticed today's public hearing
- Utilized social media accts. to inform

60-day administrative review completed on March 23, 2026

CWA Comments Were…		
✓ Considered	✓ Incorporated, where appropriate	✓ Included with Staff Responses as Attachments

Key Premises, Assumptions & Benchmarks

- Foundational Document
- Focused on Wholesale Water Service
- Uses 15-Year Reporting Period (FY2009–FY2023)
- Analysis: Systemwide & Trend-Based
- Designed to Inform, Not Predetermine

CWA at a Glance

1944
Year Formed Special Legislation & Voter Confirmation

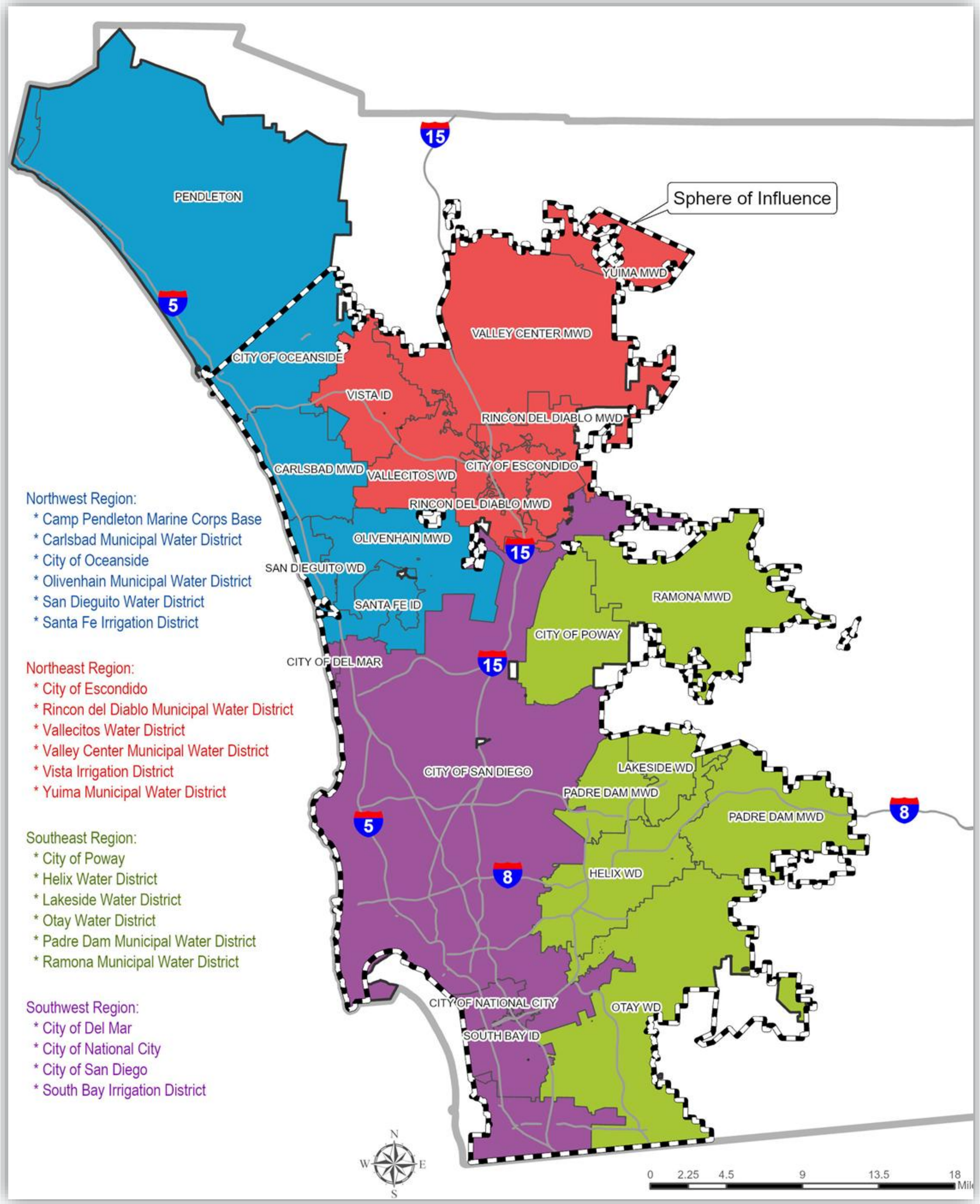
1946
Year CWA Joined MWD

22
Member Agencies Served

1,300+
Square Miles *Service Area*

3.1M+
Residents Served

~80%
of Region's Water Supply



Today's Speakers

Dr. Michael Hanemann

Finance & Supply Analysis

Water and environmental economist · Professor, Arizona State University

- Ph.D. Economics, Harvard University
- M.A. Public Finance & Decision Theory, Harvard
- M.Sc. Development Economics, London School of Economics
- B.A. Philosophy, Politics & Economics, Oxford

Patrick Bouteller

Governance & Institutional Analysis

Public policy and government affairs professional with 20 years of experience at state and local levels of government.

DR. MICHAEL HANEMANN

CWA Financial Analysis & Governance Review

San Diego County Water Authority

- 35-year history
- Business model shift
- Financial consequences
- Governance reforms

Municipal Service Review – Part I | May 4, 2026

HISTORICAL CONTEXT

The Story Goes Back 35 Years

1944	1946	1946-1990	1987-1992
CWA Founded	**MWD Agreement**	**Distributor Role**	**California Drought**
Created to provide water for County's growing population & military installations.	CWA joined Metropolitan Water District to access Colorado River water.	For 45 years, CWA functioned solely as a distributor of MWD water to retail agencies.	Peak drought forces MWD to cut deliveries – a pivotal stress test for CWA.

PIVOTAL MOMENT

The 1990–1991 Drought: A Wake-Up Call

First-ever delivery cut

MWD cut deliveries at short notice – 20% for urban use, 50% for agriculture – an overall cut of 31%.

Planned escalation

MWD subsequently planned to raise cuts to 50% urban and 90% agricultural. Only unexpected heavy rainfall averted this.

No special treatment

Despite being most reliant on MWD at 95%, CWA received no preferential treatment during the drought.

95%

CWA's reliance on MWD before the drought – most vulnerable of all MWD member agencies

STRATEGIC RESPONSE

CWA's Response: A Pivot in Its Business Model

1

IID Water Purchase

Contract to buy Colorado River water from Imperial Irrigation District (IID), whose rights are senior to MWD's – providing a higher-priority, more reliable supply.

2

Desalination Plant

Construction of an ocean water desalination facility at Carlsbad – an entirely independent, drought-proof source of water supply.

Was CWA wrong to pursue independence from MWD?
NO – the strategic logic was sound.

Did it ultimately set up today's acute financial challenge?
YES – the execution created structural risk.

IMPLEMENTATION

Implementing the New Strategy

1998	2002	2003	2012	2015
IID negotiations begin	Carlsbad talks begin	QSA purchase agreement signed	Carlsbad agreement reached	Carlsbad facility goes online

KEY STRUCTURAL FEATURE: TAKE-OR-PAY CONTRACTS

- CWA must pay for IID (QSA) and Carlsbad water regardless of whether it can use it.
- Quantities are contractually stipulated – CWA cannot reduce the commitment.
- Unit prices are also stipulated and rise over time.
- Carlsbad water pricing is partly linked to energy prices – vulnerable to energy inflation.

The Cost of Independence: Financial

Fixed Costs as Share of Operating Expenses

< 40% → **> 80%**

2008 **2023**

A doubling of fixed cost burden in 15 years – driven by take-or-pay commitments.

MWD Water

$942

per AF

Baseline import cost

QSA Water

$1,050

per AF

~$30.2M additional annual costs through 2048

Carlsbad Water

$3,110+

per AF

~$91.1M additional annual costs through 2042

THE CORE PROBLEM

The Burden Would Have Been Manageable – But Deliveries Collapsed

If deliveries had held up... (manageable)

- QSA water costs slightly more than MWD but provides a higher-priority Colorado River right – more reliable.
- Desal is significantly more expensive than MWD – but is protected from supply decline in Colorado and Sacramento Rivers.
- Desal is insurance against drought.
- Carlsbad accounts for only ~12% of CWA's overall supply.

What actually happened...

- CWA deliveries to member agencies collapsed.
- Fell from 608,700 AF in 2008 to 333,792 AF in 2023 – a drop of 45%.
- The combination of collapsed deliveries with fixed take-or-pay commitments created the current financial strain.

-45%

Delivery drop: 608,700 AF (2008) → 333,792 AF (2023)

Collapse in CWA Delivery to Member Agencies

CWA Delivery = Population Served × GPCD × CWA Share of Water Use

Period	Population Change	GPCD Change	CWA Share of Water Used
2008–2013	+4.4%	–17%	2008: 88.1% 2013: 82.2%
2013–2018	+2.7%	–13%	2013: 82.2% 2018: 75.8%
2018–2023	+0.3%	–12%	2018: 75.8% 2023: 74.8%
2008-2023	**+7.6%**	**-36%**	**2008: 88.1% 2023: 74.8%**

Population grew 7.6% but per-capita use fell 36% — the demand collapse was demand-driven, not population-driven.

ANALYSIS

Three Drivers of the Delivery Collapse

Population Growth

+7.6%

2008–2023

Population served grew only moderately – not the cause of the collapse.

Minor factor

Per-Capita Use (GPCD)

-36%

2008–2023

GPCD fell dramatically, especially 2008–2013 following the drought and Great Recession.

Primary driver

CWA Share of Use

88% → 75%

by 2023

CWA's share of water used fell significantly. Could fall to ~60% by 2030 as Pure Water ramps up.

Growing concern

FORESEEABILITY

Could the Collapse Have Been Anticipated?

Perhaps in a general way – but not the specifics.

✓ Conservation efforts were known

MWD and CWA each invested significant resources promoting conservation over three decades – and long-standing water reuse efforts existed.

✗ Not the timing of GPCD decline

GPCD had been roughly constant from 1995 through 2007. The post-2008 drop was sudden and unexpected.

✗ Not the magnitude of the reduction

Other California urban water systems saw reductions since 2008 – but none this large. The size was unprecedented.

✗ Not the rise of potable water reuse

The coming drastic increase starting with San Diego's Pure Water program – now going online – was not foreseeable when contracts were signed.

CURRENT CONDITION

A Severe Fiscal Imbalance

Positive Development

CWA's new leadership has demonstrated willingness to collaborate with MWD. The June 2025 agreement opens the door for CWA to sell water to other agencies within and beyond MWD's service area – an extremely promising development.

FIXED COSTS

> 80%

of operating costs

≠

FIXED REVENUES

< 30%

of total revenues

NET REVENUE RISK

≈ -$1M

for every 1,000 AF less sold
(without structural revenue fix)

Potable Reuse: Benefits, Context & Timing

✅ Strong public benefit

Pure Water has significant public benefits for regional water resilience.

✅ Better than desalination today

From today's perspective, potable reuse is a better water supply solution than ocean desalination.

✅ Economically justified – for wastewater

It is economically justified as a solution to San Diego's outdated and overloaded wastewater treatment system.

⏱️ Timing constraint

Indirect potable reuse did not become feasible in California until ~2016 – after CWA's contracts were already locked in.

⚠️ Water supply is a co-benefit

Potable reuse would not necessarily be justified right now purely as a water supply solution – the primary driver is wastewater.

GOVERNANCE

Two Critical Governance Reforms

1

Member Agency Roll-Off & Departure Policy

CWA needs a policy to deal with member agency roll-off or departure. · Roll-off may require take-or-pay commitments by member agencies – via fixed charges or a dual rate structure (firm supply vs. variable supply). · Departure should involve an exit fee tied to the departing agency's historic share of CWA's outstanding debt and payment obligations at that time.

2

Forward-Looking Voting Structure

Current board voting structure is backward-looking: voting power is based on who purchased water in the past. · It must become forward-looking: aligned with who will be using CWA water in the future and thus paying for new CAPEX being authorized now.

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CWA Voting Structure

Patrick Bouteller

CWA MSR – Part I | May 4, 2026

KEY FACTS

22

Member agencies represented on board

34

Voting members total

42%

Weighted vote held by City of San Diego

BOARD STRUCTURE

How SDCWA Voting Works

22 Member Agencies

Every member agency has at least one director on the board, for a total of 34 voting members.

Weighted Voting

Votes are weighted based on each agency's cumulative financial contributions to SDCWA over time.

Block Voting

City of San Diego delegates vote as a block based on a majority of their 10 delegates.

City of San Diego: Voting Influence

10 delegates, voting as a bloc

City policies require all 10 delegates to vote as a single block, based on an internal majority decision.

6 of 10 can control all 42%

A simple majority of 6 city delegates is enough to lock in the full 42% block – regardless of the other 4.

Delegates not required to be affiliated with Public Utilities Department

No requirement that delegates are affiliated with the City's Public Utilities Department – occasionally members come from City Council or City Staff.

42%

of SDCWA's
weighted vote
held by
City of San Diego

10 delegates

GOVERNANCE CONCERN

An Accountability Misalignment

San Diego City Council

Directly accountable to constituents

The San Diego Public Utilities Department oversight board is the City Council – elected officials who must publicly justify rate increases and water policy decisions to voters.

SDCWA Delegates

Not directly accountable for downstream consequence

CWA delegates do not have to manage the fallout from their decisions. **Councilmembers** are expected to justify those policies to constituents – a different accountability chain.

Example: A recent SDCWA rate increase was opposed by the only City delegation member who also sits on the City Council.

GOVERNANCE CONCERN

Examples of Misalignment

Rate Cap Action

Recent City Council action to limit approval of rates and explore a cap on future payments to the San Diego County Water Authority.

2019 Proposed MWD Settlement

Metropolitan Water District Settlement proposal publicly supported by San Diego PUD and the Mayor's office – but declined by SDCWA.

Colorado River Pipeline Study

Study opposed by the majority of SDCWA board members – but moved forward because 6 of 10 City delegates voted Yes, overriding the broader board.

AEO, Priscilla Mumpower

Takeaways + Recommendations

Key Takeaways

9 Report Conclusions

→ 5 Central Takeaways

7 Recommendations

4 directed to CWA

1 directed to City of SD

2 directed to LAFCO

OVERVIEW

Five Central Takeaways

1 **Reliability Improved – Affordability Pressures Increased**
The 1990s business model shift greatly improved water reliability, but at significant and growing cost to ratepayers.

2 **Financially Strained**
Fixed costs now exceed 80% of operating expenses; untreated rates rose 164%; days cash has fallen from 19 months to 5 months.

3 **Governance is Strained**
Weighted voting alignment is weakening – and the City of San Diego holds ~42% of voting power as member agency interests diverge.

4 **CWA Is Approaching an Inflection Point**
Pure Water demand reductions could trigger a 109–133% rate increase by 2035 under historical sensitivity ratios.

5 **A Measured Pause Is Warranted**
Change is needed – but immediate restructuring is not the recommendation today. Recent positive developments support a pause.

Reliability vs Affordability

RELIABILITY

Investments substantially reduced drought vulnerability.

vs

AFFORDABILITY PRESSURE

Rate increases outpacing demand growth.

TAKEAWAY 2 OF 5

Structural Strain Is Emerging

💰 FINANCIAL STRAIN

- **Fixed expenses increased 30%**
- Untreated wholesale **rates increased 164%**
- **Days cash** (liquidity marker): 19 months → 5 months
- **Debt service** = $1.7B (**only ~30% to principal**)
- **Significant risk** if deliveries fall below 322,000 AF take-or-pay threshold

Structural Strain Is Emerging

GOVERNANCE STRAIN

- **Weighted voting** depends on aligned member interests
- **Alignment appears to be weakening**
- City of San Diego holds **~42% voting power**
- **Roll-offs** & local supply diversification may **widen governance tension**

Tipping Point: How the Math Works

The 15-year reporting period ratio projects a 133% rate increase by 2035

1

Historical Sensitivity

162% ÷ 40%

rate increase ÷ volume decline

= 4-to-1

FY2009–FY2023 ratio

2

Projected Volume Loss

111,000 ÷ 333,000

potable reuse AF ÷ FY23 baseline AF

= 33.3%

expected demand decline

3

Projected Rate Increase

33.3% × 4

volume decline × sensitivity ratio

= 133%

≈ 11% avg. annual (2023–2035)

TAKEAWAY: Every 1% drop in CWA sales has historically required a 4% rate increase. This ratio projects forward under Pure Water demand loss.

Tipping Point: Adjusted for Water Transfers

Factoring 20k AF of annual transfers reduces projected rate increase to 109%

1 Historical Sensitivity

162% ÷ 40%

rate increase ÷ volume decline

= 4-to-1

FY2009–FY2023 ratio (unchanged)

2 Projected Volume Loss

91,000 ÷ 333,000

potable reuse AF, net of 20K transfers

= 27.3%

expected demand decline

3 Projected Rate Increase

27.3% × 4

volume decline × sensitivity ratio

= 109%

≈ 9% avg. annual (2023–2035)

ADJUSTMENT: 20,000 AF of annual transfers with Eastern and Western MWDs reduces projected volume loss from 111,000 to 91,000 AF.

Takeaway No. 5: A Measured Pause

Developments support a 24-month pause before *evaluating fundamental restructuring*:

- **Leadership Changes**
- **Settlement with MWD**
- **Exchange Agreements**
- **AZ / NV Opportunities Being Explored**
- **Launch of CWA's Business Model Review Process**

BOTTOM LINE: The issues are significant – but the agency is not static.

Takeaway No. 5: A Measured Pause

24 Months → Addendum:
Clear Decision Point on Whether to Evaluate Reorganization Options

ADDENDUM to MSR

Informed by Focused Check-In (not a full-scale MSR)

- **Water Sales:** demand stabilization vs. continued decline
- **Debt Levels**: stabilizing vs. worsening
- **Liquidity:** strength of reserves and financial flexibility

Takeaway No. 5: A Measured Pause

👉 Following Addendum: Concepts for Evaluation, *if Directed*

Potential Restructuring Paths

Evolve to Subregions
Form multiple subregional wholesale agencies
Align supply portfolios + rates to similar communities

Reset to Regional Conveyance Role
Reconstitute limited regional infrastructure agency
MWD assumes primary wholesale supply role

Enhance CWA to Retail Model
Expand CWA to include retail operations
Consolidate fragmented system under regional management

Evaluation Framework: Cost | Legal | Operational | Equity | Affordability

7 Key Recommendations

To: San Diego CWA

1. **Revisit weighted voting structure** & alignment with member agencies
2. **Explore** supplemental **fixed revenue source** (i.e., special property tax)
3. **Support Pure Water** Phases I & II
4. **Explore potable reuse partnership** opportunities **with MWD**

To: City of San Diego

5. Should **review its CWA board appointment practices**

To: San Diego LAFCO

6. **Return in 24 months** with an addendum & **assess CWA progress**
7. Proceed **with affirming current SOI** with no change

COMMISSION ACTION

Feedback Requested Today

OPTION 1

✓

Authorize staff to proceed with 45-day public review and comment period, incorporating any refinements requested today.

OPTION 2

↩

Direct staff to make revisions and return with a revised draft at the next commission meeting.

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Commission Meeting
May 4, 2026

Wholesale Water Service Agencies MSR
Part I: San Diego County Water Authority

Comments & Questions?

Agenda Item No. 6a

SAN DIEGO LAFCO

COMMISSION MEETING
MAY 4, 2026

SAN DIEGO LAFCO

Agenda Item No. 6b
Annual Workforce Vacancy Report

5/4/2026

SAN DIEGO LAFCO

Agenda Item No. 6b

Comments/Questions?

5/4/2026

SAN DIEGO LAFCO

COMMISSION MEETING
MAY 4, 2026

SAN DIEGO LAFCO

Agenda Item No. 6c
Proposed Final Workplan and Budget for 2026-2027 and Related Actions

5/4/2026

SAN DIEGO COUNTY

Local Agency Formation Commission

Proposed Final Workplan & Budget

FISCAL YEAR 2026-2027

Commission Meeting | May 4, 2026 | Agenda Item 6c

AT A GLANCE

KEY THEMES

Substantively Intact from March Draft

Workplan continues with 30 special projects:

- Six material revisions: 4 new + 2 restored from FY26 carryover
- Two MSRs downgraded high-to-medium; six items moved to bullpen

Operating budget maintains + builds with 3.3%, or $90k, increase:

- Increase largely ties to adding 9th FTE (analyst) + preapproved COLA
- OPEB bond debt service reclassified to operating (technical)

Apportionments up 18.7%, or $408k:

- Absorbing 3.3% increase in operating costs, or $91k
- Absorbing elimination of unassigned reserves as offsetting revenues, totals $317k

FROM DRAFT TO FINAL

PUBLIC OUTREACH

Newspaper Notice | March 11

SD Union-Tribune (English + Spanish); supplemental notice via online platforms and direct to all funding agencies

Cities Advisory Committee | March 19

Communicated support for the budget and workplan as presented

Special Districts Advisory Committee | April 17

Communicated support; encouraged consultant resources + 9th voting seat go to "public" if it advances

Written Comment | April 10

Lower Sweetwater FPD raised four concerns; one resulted in OPEB reclassification refinement

FROM DRAFT TO FINAL

WORKPLAN REVISIONS

+ 4 New Projects

L-107 policy review (medium), 9th member legislation(low), districts elections (low), + alternate public member (low)

+ 2 Restored Projects from FY26

Adding back Encinitas Subregion MSR (high) + Homeless Services White Paper (high)

~ 2 Downgraded Projects: High to Medium

SD Port District + Solana Beach–Del Mar MSRs at request of subject agencies given staff changes

- 6 Projects Moved to Bullpen

Escondido/Rincon study, onboarding, legislator outreach, social media tracking, planning groups, + digital outreach

WORKPLAN STRUCTURE

HIGH PRIORITY

10

Projects

6 MSRs
1 Proposal-Specific (La Jolla)
1 Organizational (Recruitment)
2 Papers (Homeless, Reservoirs)

MEDIUM PRIORITY

10

Projects

4 MSRs
1 Policy Update (L-107)
1 Special Study (Oceanside SCHD)
4 Administrative Projects

LOW PRIORITY

10

Projects

6 Administrative Projects
3 Legislative Proposals
1 MSR (Healthcare Addendum)

BULLPEN: 35+ additional projects queued for telegraphing purposes…

HIGH PRIORITY PROJECTS

#1 MSR
Wholesale Water Service Providers

Hearings: May thru Oct 26

#2 MSR
SD County Healthcare Districts

Hearings: Oct 26 through Dec 26

#3 MSR
SANDAG

Hearings: Aug through Nov 26

#4 MSR
Carlsbad-Encinitas II

Resumes Aug 26

#5 Prop
La Jolla CFA

Full FY span

#6 Paper
Homeless Services

Complete by EOY

#7 MSR
San Marcos Region

Hearings: Feb through April 27

#8 MSR
Vista Region

April through June 27

#9 Paper
Public Recreation @ City Reservoirs

Late FY 27

#10 Org
Recruit + Onboard New Analyst

Summer-Fall 26

DRAFT v. FINAL — TOP 10 PROJECTS

COMPARISON OF TOP PRIORITY LISTING

MARCH 2 DRAFT

1. Wholesale Water Service Providers
2. SD County Healthcare Districts
3. SANDAG
4. La Jolla CFA
5. Recruit + Onboard New Analyst
6. San Marcos Region
7. Vista Region
8. LAFCO Website Refresh *MOVED DOWN*
9. Solana Beach + Del Mar Region *MOVED DOWN*
10. SD Port District *MOVED DOWN*

MAY 4 FINAL

1. Wholesale Water Service Providers
2. SD County Healthcare Districts
3. SANDAG
4. **Carlsbad-Encinitas Region II** *RESTORED*
5. La Jolla CFA
6. **Homeless Services** *RESTORED*
7. San Marcos Region
8. Vista Region
9. **Public Recreation @ Reservoirs** *MOVED UP*
10. Recruit + Onboard New Analyst

BUDGET OVERVIEW

Total Proposed Budget

$2,904,049

(8.2%) decrease from FY2026 – driven by grant winddown

OPERATING BUDGET

$2,804,049

+3.3% | +$90,379

Day-to-day operations

NON-OPERATING BUDGET

$100,000

($350,000) | Grant winddown

Grant activities only

(OPEB now operating)

OPERATING EXPENSES

SALARIES & BENEFITS

$1,719,566

+$130,899 | +8.2%

Substantive Changes

Salaries & Per Diems	$1,144,898	+16.1%
Retirement (SDCERA)	$316,454	-17.7%
Group Insurance	$164,931	+22.7%

SERVICES & SUPPLIES

$1,084,482

($40,535) | –3.6%

Substantive Changes

PS: Consultants	$415,000	-26.8%
PS: Commission Counsel (new)	$80,000	new
Office Lease	$166,959	+5.2%
Memberships	$48,893	+40.5%

REVENUES & APPORTIONMENTS

Total Apportionments

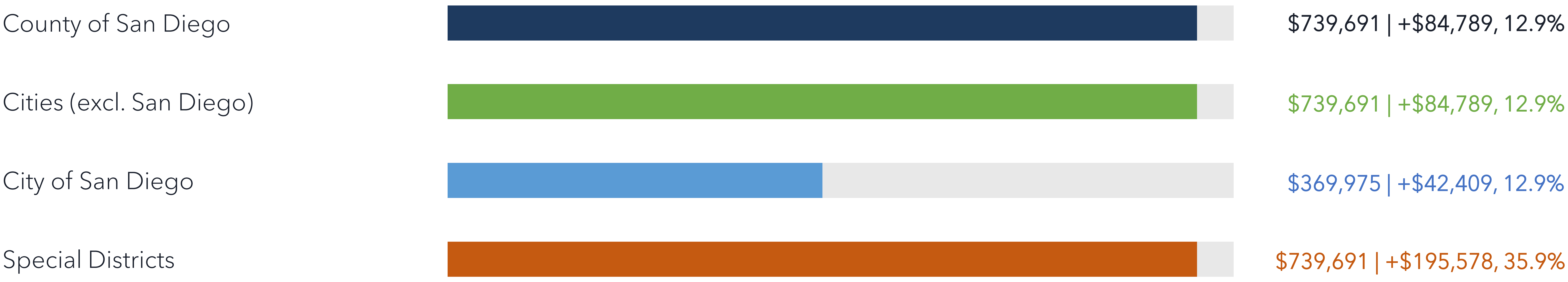
$2,589,049

+18.7% | +$407,566 over FY2026

WHY 18.7%?

Only 3.3% reflects operating growth.
The remaining 15.3% ($317K) eliminates
unassigned reserves used as offsetting revenue in FY26

APPORTIONMENT SHARES



RESERVE POLICY

LAFCO Policy F-101:

First Priority is to Meet Unassigned Thresholds:

- Maintain no less than four months (33.3%) and no more than six months (50.0%) in unassigned monies in reserves relative to budgeted operating costs

Second Priority is to Committed Designations (Opportunity or Stabilization):

- Opportunity applies to long-term efficiencies and costs-savings
- Stabilization apply to absorbing unexpected costs or shortfalls
- Practice of the Commission to designate no less than $650k since policy adoption

If Available, Assigned Monies to EO:

- No more than $125k to cover fee waivers or special costs for high-priority projects

RESERVE POSITION

Two Structural Dynamics are Converging:

1 The Reserve Floor Keeps Rising

LAFCO operating budget has increased on average by 4.4% between 2018 + 2026, and in doing so raising the 4-month min reserve threshold with it…

FY	Operating Budget	4-Month Floor
2018	$1.986m	$661k
2019	$1.906m	$634k
2020	$1.916m	$638k
2021	$1.916m	$638k
2022	$1.941m	$646k
2023	$2.045m	$682k
2024	$2.260m	$753k
2025	$2.428m	$809k
2026	$2.681m	$894k
2027	$2.804m	$935k

2 Reserves Used to Offset Costs

LAFCO has budgeted unassigned reserves each year between 2020 + 2026 to lessen agency contributions, and in doing so lowering reserve totals...

FY	Total Reserves	Committed Assigned	Unassigned	*% to Op Budget*
2020	$1.318m	$675k	$642m	*33.5%*
2021	$1.691m	$675k	$1.016m	*53.0%*
2022	$1.637m	$875k	$762k	*39.3%*
2023	$1.548m	$813k	$735k	*35.9%*
2024	$1.637m	$875k	$762k	*33.7%*
2025	$1.732m	$850k	$882k	*36.3%*
2026	$1.672m	$750k	$921k	*34.4%*
*2027	$1.362m	$438k	$924k	*33.3%*

** Assume $0 use of reserves in FY27 **

RECOMMENDATION

Adopt the Resolution

1. Approve the proposed final workplan (Exhibit A) and budget (Exhibit B) for FY27
2. Incorporate any desired changes from the Commission
3. Authorize EO to invoice funding agencies for total apportionment of $2,589,049
4. Approve per diem increase from $305 to $320 effective July 1, 2026

March 2
Draft Approved

March–April
Reviewed

May 4
Final Adoption

July 1
FY2027 Begins

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Agenda Item No. 6c

Comments/Questions?

5/4/2026

SAN DIEGO LAFCO

COMMISSION MEETING
MAY 4, 2026

SAN DIEGO LAFCO

Agenda Item No. 7a

Proposed Out-of-Agency Services | Buena Sanitation District

Request to Provide Out-of-Agency Wastewater Services

5/4/2026

The Request

Existing Arrangement

Affected territory is a 0.53-acre parcel developed w/SFR built in 2016.

BSD currently serves the property under a 1989 agreement between BSD and City of San Marcos.

Creates direct service relationship between Buena SD and the landowner.

Proposed Extension

Request extends authorization to accommodate a planned ADU.

Timing is driven by the landowner needing a will-serve letter from BSD as part of the San Marcos ADU permitting process.

Legislative & Policy Framework

State Statute

Cities and special districts must obtain LAFCO approval before providing services outside their jurisdictional boundaries, subject to limited exemptions.

San Diego LAFCO Policy

The Executive Officer may administratively approve out-of-agency requests involving direct threats to public health and safety. All other requests require full Commission approval.

The Property & Its Setting

Need & Availability of Service

196

gal/day

Existing SFR Demand

333

gal/day

With ADU (Total)

0.033

%

Share of System Capacity

Buena SD has served this property since 2016. The projected increase represents a negligible impact — readily accommodated without adverse effects.

Why Out-of-Agency Service, Not Annexation

Transitional Sphere

BSD holds a zero/transitional sphere (established 1984), anticipating its service area would eventually be absorbed by the City of Vista.

Cross-Jurisdictional Conflict

The affected parcel sits within the City of San Marcos — not Vista. A land swap between the two cities is improbable.

Annexation Is Not Actionable

Out-of-agency service is the appropriate and most orderly mechanism to meet the immediate need while remaining consistent with the Commission's long-term planning goals.

Recommended Conditions

Service Limit

Approval conditioned on limiting service to two residential units: the existing SFR and one ADU.

Standard Fee Requirements

Payment of any outstanding fees per the San Diego LAFCO fee schedule.

Future-Annexation Condition Waived

Staff recommends departing from the customary practice of conditioning approval on the landowner filing a future annexation proposal. Given the transitional sphere and cross-jurisdictional constraints; does not reflect local conditions.

CEQA Finding

Project Determination

The request qualifies as a "project" under the CEQA.

Exemption — §15319(b)

The project is exempt from further environmental review under State CEQA Guidelines Section 15319(b).

Basis: No more than four dwelling units are planned for development on the affected territory.

Staff Recommendation

✓ Alternative One — Conditional Approval (Recommended)

Authorize BSD to provide out-of-agency wastewater service to 3144 Roadrunner Road — redirecting the existing arrangement to a direct relationship with the landowner and extending capacity for a planned ADU. Adopt CEQA exemption finding under Guidelines §15319(b).

Alternative Two

Continue item to a future meeting.

Alternative Three

Disapprove the request.

SAN DIEGO LAFCO

Agenda Item No. 7a
Comments/Questions?

5/4/2026

SAN DIEGO LAFCO

COMMISSION MEETING
MAY 4, 2026