



Chairman

Andrew Vanderlaan
Public Member

April 7, 2014

7A

Vice Chairman

John Ingalls
Santa Fe
Irrigation District

TO: Local Agency Formation Commission

7B

FROM: Executive Officer
Chief, Governmental Services

Members

Bill Horn
County Board of
Supervisors

SUBJECT: Supplemental Municipal Service Review and Sphere of Influence Review: Study of Sewer, Water, and Recycled Water Services in the Bonsall and Pala Hydrologic Subareas of the San Luis Rey River Watershed (MSR13-82; SR13-82; MSR13-88; SR13-88; MSR13-96; SR13-96)

Dianne Jacob
County Board of
Supervisors

Bud Pocklington
South Bay
Irrigation District

Adoption of an Amendment to the Spheres of Influence for the Valley Center Municipal Water District [SA12-11(a)]; Rainbow Municipal Water District [SA12-11(b)]; and San Luis Rey Municipal Water District [SA12-11(c)]

Lorie Zapf
Councilmember
City of San Diego

Jim Janney
Mayor
City of Imperial Beach

Sam Abed
Mayor
City of Escondido

LAFCO EXECUTIVE SUMMARY

The Supplemental Municipal Service Review (MSR) and Sphere of Influence (SOI) Review: Study of Sewer, Water, and Recycled Water Services in the Bonsall and Pala Hydrologic Subareas of the San Luis Rey River Watershed covers six topics: (1) statutory provisions pertaining to the MSR requirement and SOI review; (2) background information and procedures related specifically to this MSR/SOI Study; (3) descriptions and information related to each agency under review (Rainbow, San Luis Rey, and Valley Center Municipal Water Districts); (4) analysis and conclusions resulting from the study; (5) details of both the proposed and recommended sphere changes; and (6) environmental review. The Supplemental MSR and Sphere Review are to be considered in conjunction with the document written in 2006 (but not adopted), entitled *Municipal Service Review and Sphere of Influence Update: Study of Sewer, Water, and Recycled Water Services in the Bonsall and Pala Hydrologic Subareas of the San Luis Rey River Watershed*. That MSR and Sphere Review is available on the LAFCO website at www.sdlafco.org and CDs are included with the Commission's agenda packet.

Alternate Members

Greg Cox
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Sherrri Lightner
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Municipal Service Review Provisions

Municipal Service Reviews are comprehensive studies conducted pursuant to Government Code Section 56430 to evaluate municipal service delivery by cities and special districts. The primary goal is to gather and review service information in order to make seven determinations outlined in the statute. This State Law also requires that these reviews be conducted before, or in conjunction with, updating spheres of influence. Spheres of influence are essential planning tools that aid in establishing physical boundaries and service areas for cities and special districts.

Recently enacted legislation also requires local governmental entities and LAFCO to examine disadvantaged unincorporated communities (DUC) when updating MSR. To comply with the definition, a “disadvantaged community” must be inhabited, have 10 or more dwellings with a median household income of 80% or less of the statewide annual median household income.

In 2006, the San Luis Rey Municipal Water District (MWD) contracted with a planning firm (LSA & Associates) to prepare an MSR/Sphere Report for LAFCO consideration. The 2006 report was never considered by LAFCO for two reasons: (1) an environmental document for the sphere component of the report was never certified by the San Luis Rey MWD; and (2) in 2006, the Commission followed a macro approach and adopted one County-wide MSR and sphere review for all special districts. Therefore, this 2014 MSR/Sphere Review is a supplemental study to the 2006 and 2007 MSR/Sphere reports.

Service reviews contain important information that assist LAFCO, agencies, and the public in making decisions that support the efficient provision of municipal services. Likewise, establishing thoughtful/meaningful spheres of influence provide guidance for potential jurisdictional boundary changes and efficient delivery of community services.

Background

With both the San Diego Association of Governments (SANDAG) and San Diego County (via the General Plan Update – GP2020) planning future growth adjacent to transit nodes, development in the corridor along the Interstate 15/State Route 76 intersection is anticipated. Concurrent with the expectation of locating development in this corridor is a need for public services. To accommodate projected growth, a number of development projects began the planning process about ten years ago, each of which would require municipal level services – water, sewer, fire protection, etc. These projects include Campus Park (503 acres) and Lake Rancho Viejo (315 acres), which already are in the Rainbow MWD, as well as Campus Park West (103 acres) and Meadowood (390 acres), which are not in the boundary of any water and sewer service purveyor. These developments are in various stages of project review/approval by the County and propose construction of the following:

Campus Park:	521 single-family homes 230 multi-family units 157,000 sq. ft. (3.5± acres) professional office space 61,200 sq. ft. (1.5± acres) town center commercial space
Lake Rancho Viejo:	950-1,200 dwelling units
Campus Park West:	355 multi-family units 60± acres commercial/office/retail 20± acres industrial
Meadowood:	355 single-family homes 164 detached condominiums 325 townhomes

In addition, it should be noted that other ownerships covered in San Luis Rey MWD’s Master Plan included Pala Rey Ranch (558 acres), City Home (94 acres), Fritz holdings (398 acres), and the Warner Property (429 acres) (refer to Map 2). Currently, the Pala Tribe is in the process of applying for a “Fee to Trust” ruling for the City Home site that would allow the property to become part of the reservation. At this time, the uses proposed for the land include a cultural center and trail system. However, if the territory becomes part of the reservation, the County will have no oversight regarding its development. Under the existing General Plan (GP2020), Pala Rey Ranch, Fritz holdings, and the Warner Property are all designated RL-40, which allows one dwelling unit per 40 acres.

Located in this region are three municipal water districts – Rainbow, San Luis Rey, and Valley Center. While some of the proposed projects already are in a district that could provide water and sewer services, others are not. Thus, a study to determine the most suitable water and sewer service provider was necessary.

Importation of water in San Diego County is the responsibility of the San Diego County Water Authority (CWA), the Metropolitan Water District of Southern California (MET), and local water districts. To obtain imported water for distribution, a local water purveyor must be a member agency of the San Diego CWA; San Diego CWA is, in turn, a member agency of MET.

Not only are Rainbow and Valley Center MWDs members of the San Diego CWA and provide water service, but both districts also are authorized to furnish water and sewer service within their respective boundaries. In addition, two of Valley Center MWD’s wastewater treatment plants produce and utilize recycled water. San Luis Rey MWD was formed to protect groundwater resources and represent property owners’ water rights in the river basin, and does not have the authorization to provide water or sewer services. Furthermore, San Luis Rey MWD is not a member agency of the San Diego CWA or of MET.

Another consideration relevant to development in this region is the presence of agricultural resources, prime agricultural land, and open spaces. Of potential concern to LAFCO is the proposed conversion of prime agricultural land to other uses as well as the potential

adverse effect of development on agricultural soil. State Law specifically notes that open space should be preserved and prime agricultural land protected. San Diego LAFCO supports these statewide requirements and has adopted a policy to minimize the impacts to agricultural land (LAFCO Policy L-101: Appendix B).

While evaluating proposed projects, factors outlined in State law (Government Code Section 56668[a – n]) must be considered. These include population, growth, topography, and drainage basins; the need for municipal services; effects on adjacent territory and community character; conformity with land use designations and general plans as well as local policies; and adequacy and service availability/capacity, etc. In particular, “services” are discussed in conjunction with the need to have public facilities available that are required to provide those services.

Early in the development process, the proponents of the Meadowood project had an agreement with the Rainbow MWD (located adjacent to the property’s western boundary) stating that the District would provide both water and sewer services throughout the project footprint. About 60% of the Meadowood site is located in the San Luis Rey MWD with approximately 40% not in the service area of a water and sewer purveyor. However, Rainbow MWD later retracted its offer. Left without a means to provide these essential services, the owner approached the San Luis Rey MWD hoping that the District could be granted latent powers by LAFCO for provision of both water and sewer service.

Eventually, San Luis Rey MWD Board of Directors requested LAFCO to conduct an MSR/SOI Study that included their District and surrounding territory. The geographic boundary selected for analysis was the Bonsall and Pala Hydrologic Subareas of the San Luis Rey River Watershed, which encompasses all of the San Luis Rey MWD, the majority of Rainbow MWD, and the northern portion of the Valley Center MWD. The study area was expanded to include all of Rainbow MWD’s service area (refer to Map 1).

Prior to embarking on the MSR/SOI Study, the San Luis Rey MWD was instructed to prepare a Master Plan so that a proposal could be developed enumerating and describing the services to be provided. In conjunction with the Master Plan document, the District proposed a sphere expansion of about 3,000 acres that included several projects, two of which (Campus Park and Lake Rancho Viejo) already were located in the Rainbow MWD and had approved development plans. Some projects in San Luis Rey MWD were in the early stages of processing development plans, and others were at the conceptual stage. Many of these projects contained proposed densities well beyond both the general plan in place at that time and densities recommended in the GP 2020 Update.

After the required public review period, San Luis Rey MWD’s Final Master Plan was submitted for Board approval in November 2005. In 2006, a draft of the MSR/SOI Study of Sewer, Water, and Recycled Water Services in the Bonsall and Pala Hydrologic Subareas of the San Luis Rey River Watershed was completed and circulated for public review. A Programmatic Environmental Impact Report (PEIR) covering both the Master Plan and the sphere of influence update was certified by the San Luis Rey MWD Board on August 15, 2007.

Subsequently, three lawsuits were filed contending that the environmental impact report that had been prepared by San Luis Rey MWD for those documents was flawed. Because San Luis Rey MWD did not defend the PEIR, the Board adopted Resolution No. 2008-2 on March 19, 2008 that de-certified the PEIR, as well as rescinding and voiding the District's prior approval and adoption of the Master Plan. An April 16, 2008 letter from the District transmitted the resolutions and stated, "The adoption of these two resolutions terminates, for the foreseeable future, the efforts of San Luis Rey Municipal Water District ("District") to activate its latent powers to provide water, wastewater, and recycled water services ...". Thus, no further action occurred on the MSR and sphere update.

Since the Meadowood project was moving forward with its development plan, the proponents included the environmental review necessary for the sphere update into the project's EIR. The preferred water and sewer provider was deemed to be the Valley Center MWD because: (1) Rainbow MWD retracted an earlier agreement to deliver those services; (2) San Luis Rey MWD does not have infrastructure to supply water or sewer service, has no access to imported water, and is not legally authorized to provide water or sewer service; and (3) San Diego CWA is not accepting additional member agencies. Meadowood's development plan was approved by the Board of Supervisors in January 2012 with Valley Center MWD acknowledged as the water and sewer service provider (refer to Appendix D: Meadowood Chronology). The approved development plan also indicates that the North County Fire Protection District should furnish fire protection and emergency medical services.

Agency & Sphere of Influence Descriptions

Rainbow MWD

Encompassing approximately 80 square miles, Rainbow MWD was established in 1953 and includes the communities of Rainbow and Bonsall as well as portions of Fallbrook and Pala. The 2000 Census reported the District's population at approximately 17,750. While no disadvantaged unincorporated communities (DUC) are located in the service area, a small portion of Rainbow MWD's western boundary is contiguous to Camp Pendleton, which contains qualifying census tracts for a DUC, but has been exempted due to its federal status.

Most of the District's territory is agricultural in nature with some small scattered areas of low-density residential development. Newly constructed Lake Rancho Viejo is a suburban-type residential development just east of I-15 and south of SR 76. Pockets of commercial areas are located along SR 76. As a member of both the San Diego CWA and MET, Rainbow MWD has access to imported water.

Upon formation, the District also was granted authority to provide sewer service although that service currently is available only in certain areas. Most existing residences utilize septic systems, which are suitable for low density development. Rainbow MWD anticipates that future development will rely on on-site subsurface disposal systems. Wastewater from areas connected to the sewer system is conveyed to the City of Oceanside's plant for treatment and disposal. In 2006, the District stated that sufficient capacity was available,

but increased demand would require construction of additional conveyance, treatment, and disposal facilities. To address this possibility, the District could construct and operate a new plant or participate in upgrading Oceanside's existing facility and purchase additional capacity. During the 2012 review of this report, Rainbow MWD staff informed LAFCO that the District had recalculated availability and had "in excess of 2,600 EDUs of capacity available in its sewer collection system." In addition, the District claimed that service could be provided to developments located in the Interstate 15 corridor (Campus Park West and Meadowood) without constructing a sewer treatment plant.

The MSR/SOI Study of 2006 disclosed water pressure and infrastructure problems as well as water quality issues stemming from uncovered reservoirs and difficulties associated with blending fresh water with stored water. Between 2006 and 2012, Rainbow MWD reported that progress had been made in resolving the problems identified in the 2006 report. Measures to address those issues included upgrades to the reservoir system that reduced risks to water quality, covering the open reservoirs, and making improvements that have increased water pressure. Recently, staff stated that the District is now in full compliance with all water quality laws.

With several resignations and recall elections pertaining to the Board of Directors, Rainbow MWD demonstrated a history of inconsistent governance. The District also exhibited instability by having a high employee turnover rate and 11 general managers during a 12-year period (1994-2006). In 2012, the District reported that employee stability had improved as demonstrated by a consistent record of employment between 2006 and 2012 as well as having strong leadership in the general managers who have worked cooperatively with the Directors. Additionally, Board membership has been relatively constant with two current members serving their second full term, one serving a third term, and two others running unopposed in the 2012 election.

At this time, Rainbow MWD is engaged in contractual service agreements with the Fallbrook Public Utility District (PUD) and the City of Oceanside. These arrangements were established for property where Rainbow MWD can provide water service more efficiently than the other entity (Gilligan Groves is a 200-acre agricultural area in the City of Oceanside, but water is delivered by Rainbow MWD). On the other hand, Fallbrook PUD serves some Rainbow MWD territory located along the two Districts' mutual boundary. Recently, Rainbow MWD and Fallbrook PUD established a joint powers authority and were exploring the possibility of a consolidation. However, on March 10, 2014, Fallbrook PUD approved a resolution initiating a reorganization involving dissolution of the Rainbow MWD with annexation of the former District's service area to Fallbrook PUD in conjunction with activation of latent sewer powers in the annexation territory. Since Rainbow MWD already supplies sewer service district-wide, activation of the PUD's latent sewer powers would not result changes to the geographic area where service was previously provided. This proposed reorganization will be reviewed in the future and presented under separate cover.

Rainbow MWD's sphere is primarily coterminous with its boundary. Of note are the following (see Map 7): (1) the District and sphere completely surround a non-contiguous portion of the San Luis Rey MWD; (2) a non-contiguous island of Pauma MWD territory is

located in Rainbow MWD's northeastern region; (3) an area of overlap exists between the District and the City of Oceanside; and (4) territory along the I-15 corridor abutting the Valley Center MWD has a Special Study Area designation.

San Luis Rey MWD

Established in 1958, San Luis Rey MWD covers about 3,000 acres surrounding the San Luis Rey River. Characterized as rural in nature, the District has scattered residences with a population of 74 (2000 Census). No disadvantaged unincorporated communities have been identified in the District's service area. Although formed as a municipal water district, San Luis Rey MWD never requested the authority to provide water service. Instead, the District functions to protect the quality and quantity of the underground water source and to protect the water rights of property owners. In 1985, San Luis Rey MWD was involved in a reorganization that detached territory in its western region concurrent with annexation to the neighboring Rainbow MWD. This created the non-contiguous island of San Luis Rey MWD that is surrounded by Rainbow MWD territory.

Recently conducted research found that Board members have been appointed for the last 20 years. San Luis MWD's response to LAFCO's Request for Information indicated that, according to the Registrar of Voters, there were "insufficient candidates" to hold an election. So, the District requests that the Board of Supervisors re-appoint the incumbent Director(s). If a resignation occurs, a notice is posted, but if no qualified person comes forward the District President canvasses the registered voters for a volunteer to fill the vacancy. Then, remaining Board members appoint that person to fill the vacancy, notifies the Board of Supervisors of its action, and requests confirmation of the new appointment.

At this time, Board meetings are held in the Pankey Ranch's farm operations building that reportedly is difficult to find, located on a private, unmarked, unimproved dirt road, and lacking public transportation. Therefore, meetings could be construed as having limited public access.

Also, during the summer of 2013, San Luis Rey MWD's website was dismantled, thus making public access to Board meeting agendas and other notices problematic. However, the District has had the same telephone number for at least five years, maintains an e-mail account, and mails an annual report to each property owner. The monthly agenda is posted by post office boxes along Highway 76 at the Ranch's headquarters, which purportedly is well known to property owners. Documents distributed less than 72 hours prior to a meeting are available for public inspection at the District's General Counsel's office, which is located in Irvine, CA. The District's legal counsel contends that since the District is relatively small and with Directors being neighbors of many residents, property owners can stay in tune with District business.

With its mission limited to groundwater protection and advocacy activities, the District has neither infrastructure nor employees, but uses contract professionals for legal, engineering, environmental, and management services. However, with SANDAG projecting accelerated growth, San Luis Rey MWD initiated a Master Plan in preparation to become a viable purveyor of water and sewer services to several proposed and/or anticipated residential

developments. Proposed densities for many of the projects evaluated in the Master Plan were far greater than those allowed under the County General Plan at that time as well as designations contained in GP 2020, which recently was approved.

In 1987, a coterminous sphere of influence was adopted because, at that time, there was no anticipated need for future expansion of the service area. The sphere included the non-contiguous property that is separated from the majority of the District by a corridor of Rainbow MWD territory. Since no sphere changes had occurred since that time, the sphere was affirmed in 2007. Nevertheless, the MSR/SOI Study of 2006 revealed that San Luis Rey MWD intended to request an expansion of the sphere to encompass adjacent territory totaling nearly 3,000 acres. This additional acreage included 1,190± acres located in Rainbow MWD with the remaining territory not in an agency that supplied water or sewer service. The justification for the request was the District's intent to become a provider of water and sewer services to future development.

Since San Luis Rey MWD lacks LAFCO authorization to provide water and sewer service, the sphere expansion, if granted, would be followed by a request to annex the additional territory and activate the District's water and sewer latent powers. The plan was to furnish services throughout the proposed sphere expansion areas except for territory where no service is necessary – permanent open space and most of the proposed Gregory Canyon Landfill site. The landfill requires water and sewer services only to the administration and maintenance facilities with the actual operations area using recycled or non-potable groundwater for dust control and compaction.

Valley Center MWD

Valley Center MWD was founded in 1954 and consists of roughly 100 square miles located north of the City of Escondido. There is an overlap of territory with Escondido in the District's southwestern region. However, only the northern portion of the District was included in the MSR/SOI Study area. No disadvantaged unincorporated communities are located in that region, but two minor areas at the District's southern border may meet the DUC criteria.

While primarily providing water and sewer services to residential, agricultural, and commercial customers, Valley Center MWD uses some recycled water from two of its wastewater treatment plants. Currently, the District requires that, if possible, new developments will install facilities necessary to allow the use of reclaimed water.

Historically, the majority of water sold has been used for agricultural irrigation. According to the District's 2010 Urban Water Management Plan, the District's population is expected to increase by 60% between 2010 and 2035 from 25,378 to around 40,486. Thus, with the I-15 corridor running along the District's western boundary combined with projected population increases, the District is anticipating a transition from a predominantly agricultural area to that of medium to large lot single-family homes, some multi-family dwellings, and commercial centers in addition to mixed agricultural usage. The expected residential growth and additional demand have been addressed in Valley Center's 2010 Urban Water Management Plan.

While having the authority to provide service district-wide, sewer service has been extended to designated areas where residential development has occurred. Most development is concentrated in the District's most westerly portion along the I-15 corridor. Currently, service is provided through the District's two treatment facilities, which are operating within design capacities and consistently meeting discharge standards.

The District has a history of stable membership on the board, exhibits stability in its workforce, which is led by an experienced general manager with tenure of over 23 years, and utilizes contractual arrangements for the specialized labor and technical assistance that are occasionally required. General legal counsel, auditing, some laboratory services, and engineering consulting services are provided by contract because employing in-house staff is not cost-effective. Moreover, to achieve efficiencies and cost savings, the District is involved in several cooperative arrangements. In 2003, the Valley Center MWD was one of the agencies involved in the "North County Inland Municipal Service Review and Sphere of Influence Study." That document concluded that the District was a well-managed, stable, competent, and reliable purveyor of water, sewer, and recycled water resources.

Even though the Meadowood Project is not contiguous to Valley Center MWD, annexation would be allowed per provisions in the State's Health and Safety Code as long as service can be provided. The District submitted "will serve" letters indicating that water and sewer services can be supplied. Capacity is available to deliver water service via connection to a San Diego CWA pipeline. An interim wastewater treatment facility will serve the initial development phases while a permanent regional facility is being planned and constructed.

All treated effluent will be recycled for other uses that will result by reducing the demand for imported water.

Valley Center MWD's boundary and sphere generally are identical with some additional sphere territory located in two separate areas in the District's southeastern region: one consists of private property where urban services are not currently needed and landowners do not wish to be part of the District; and the other is a portion of the San Pasqual Band of Mission Indian Reservation (refer to Map 8).

Also a Special Study Area is located along the I-15 and Old Highway 395 corridor, which generally runs along the District's western boundary (see Map 6). This designation was assigned in conjunction with the North County Inland MSR/SOI Update Study conducted for the City of Escondido, and the Rincon del Diablo and Valley Center MWDs. Mutual boundaries dividing the Valley Center and Rainbow MWDs, and Vallecitos Water District are delineated by Old Highway 395. Construction of I-15 created a physical barrier because the alignment differs from Old Highway 395 and results in portions of Valley Center MWD territory being located west of the freeway and parcels in Rainbow MWD being on the east side of the interstate. For each district, this represents an impediment to delivery of service to the opposite side of the freeway. Accordingly, placement of a Special Study Area identified that these issues should be resolved when those districts' spheres were updated.

Overview

While an MSR/SOI Study is intended to evaluate the adequacy of public services within a geographic region, an examination of local agencies is unavoidable because they are the mechanism for service provision. Numerous concerns emerged as this MSR/SOI Study was conducted, including fundamental issues particularly related to water service provision in San Diego County. The primary focus of this report is related to water, sewer, and recycled water services provided by the Rainbow, San Luis Rey, and Valley Center MWDs.

Issues

For a more detailed discussion of the issues associated with this review, please refer to the LAFCO Report that follows.

1. Public Service Provision

Residential development in the transportation node created by the intersection of I-15 with SR 76 is attractive since it promotes SANDAG's vision of smart growth that has been supported by the County's general plan update. However, there are numerous impediments to the development of that location for residential uses. Service delivery issues for the area proved to be exceedingly complex for multiple reasons:

- Much of the area is slated for inclusion in the North County Multiple Species Conservation Plan, will remain as open space, and will not be available for other uses;
- Areas of designated prime agricultural land, land currently supporting agricultural pursuits, and open space areas are scattered throughout the region;
- LAFCO statutes and local policy specifically encourage the preservation of open space and agricultural lands when possible;
- San Luis Rey MWD does not supply water or sewer services, is not empowered to do so, and is not a member agency of the San Diego CWA;
- San Diego CWA policy prohibits interagency agreements for distribution of its water outside the jurisdictional boundaries of the member agencies;
- San Diego CWA specifically discourages new agency membership;
- LAFCO statutes support annexation or consolidation of existing agencies rather than creating new districts or activation of latent powers;
- The San Luis Rey River bisects the study area;
- The Westernmost portion of the San Luis Rey MWD is non-contiguous property separated by a corridor of land in Rainbow MWD's service area;
- Some land positioned between the Districts' boundaries are not in any water district nor in any water district's sphere of influence;

- Either consolidating or annexing San Luis Rey MWD with or to a neighboring district does not appear viable (please refer to the Alternatives Section of the LAFCO Supplemental Report for additional information).

2. Sphere of Influence

San Luis Rey MWD

Although the San Luis Rey MWD originally requested an expansion of 3,000± additional acres to the current coterminous sphere, about half of the requested expansion area already is in the Rainbow MWD. A transitional sphere may be a more appropriate designation for several reasons. With San Luis Rey MWD not authorized to provide water or sewer, neighboring districts – Rainbow and Valley Center MWDs – would be more logical agencies to furnish those services. LAFCO’s core mission supports annexation to existing districts rather than activating the latent powers of an adjacent district. In addition, San Luis Rey MWD would continue to provide groundwater protection and property owner advocacy. Adopting a transitional sphere for San Luis Rey MWD and placing District territory in the spheres for neighboring districts could facilitate future reorganizations when water and sewer services are necessary (Map 3).

An alternative option, which was supported by the Special Districts Advisory Committee, would be to remove the Meadowood Property and non-contiguous territory from San Luis Rey MWD’s sphere and place that acreage in Rainbow MWD’s sphere. San Luis Rey MWD’s remaining service area would then retain a coterminous sphere making the District’s resulting sphere smaller-than the District boundary (Map 4).

Recently, the San Luis Rey MWD stated that placing portions of its service area in another district’s sphere is growth-inducing. However, to promote growth, a project would need to be inducing development beyond what is forecasted. The County’s general plan update and SANDAG have planned for growth in this region for 30 years as indicated in the approved environmental document covering the MSR/Sphere Update and the Meadowood Project. Thus, shifting sphere designations will not be growth inducing because the areas being considered for service are those which have been historically planned for growth.

Additionally, the EIR that includes the sphere update as well as the Meadowood Project concluded that development in this location is appropriate since growth in the region has been planned for the last 30 years. Development related projects bringing infrastructure to the area are being constructed adjacent to the site. Thus, the Meadowood project is consistent with LAFCO goals and policies encouraging orderly and logical development.

San Luis Rey MWD also stated that LAFCO should not make sphere changes other than detaching the Meadowood Project site because the District has agricultural importance that needs to be protected. A San Luis Rey MWD letter claims that adopting a transitional/zero sphere would facilitate development of agricultural land. This statement is incorrect because a transitional/zero sphere designation would only signify that, in the future, consideration should be given to transfer service responsibility from one District to another. Specific jurisdictional changes that would be proposed would only occur after County-

approved development plans, which require subsequent environmental review, are adopted. The subsequent environmental documents accordingly would discuss and address issues related to the potential conversion of agricultural land. Adopting a transitional sphere for the San Luis Rey MWD would not, therefore, halt current activities related to protection of agricultural land.

While approximately 210 acres of the project site is used for agricultural activities, such as citrus and avocado groves, it is not within an Agricultural Preserve or Williamson Act Contract. Approved development plans include the retention of 49.3 acres of agricultural land that would be maintained by the Meadowood Home Owner's Association. According to the California Agricultural Land Evaluation and Site Assessment (LESA) model, the project resulted in a score indicating that it does not represent a significant agricultural resource and would not result in a cumulatively considerable contribution to the conversion of significant agricultural resources on the site.

According to LAFCO's definition, 14.5 acres of Prime Agricultural land the project would be converted to non-agricultural uses; however, this conversion does not represent a significant environmental impact because the project will result in the planned, orderly, and efficient development of the area. As previously discussed, the project is located in an area planned for supporting additional development since the early 1980s; roadway construction will serve traffic from only the proposed project; the project site is included in the 2007 Update to the CWA 2005 Urban Water Management Plan; proposed parks are scaled to comply with State and County requirements; and the availability of a new school site would assist the local school district in meeting student enrollment demands. For these and other reasons covered in the Final EIR, the project is considered planned, orderly, and efficient development thus making the project impacts on agriculture less than significant.

Rainbow MWD

The western, non-contiguous portion of San Luis Rey MWD encompasses roughly 327 acres and primarily is vacant at this time. That area should be placed in the Rainbow MWD sphere for the following reasons: (1) it is surrounded by Rainbow MWD service area; (2) it is adjacent to two approved developments (Lake Rancho Viejo and Campus Park) that receive service from Rainbow MWD; and (3) it contains the Campus Park West and City Home sites. In 2012, Campus Park West executed a pre-annexation agreement with Rainbow MWD, and City Home may request services from the District in the future.

With concurrence of the District and property owners, the Warner Property (429 acres) also should be added to Rainbow MWD's sphere. Moreover, a small segment of Pala Road adjacent to the Warner Property, as well as three areas totaling 96± acres located between the San Luis Rey/Rainbow MWDs' boundaries that are not in any agency's sphere should be included in the Rainbow MWD sphere (refer to Map 3). The majority of this acreage is designated for multiple rural uses and none of it is in the sphere of any water or sewer service provider. Currently, development plans for the Warner Ranch are being processed and an agreement has been executed with Rainbow MWD for future delivery of water and

sewer services.

Although adjacent to the Rainbow MWD, the Meadowood Project site is not being recommended for inclusion in the sphere because Rainbow retracted an earlier agreement to be the water and sewer service provider. Subsequently, Valley Center MWD consented to provide services upon annexation and verified that capacity was available to do so. Development plans were processed through the County's Department of Planning and Land Use with Valley Center MWD selected as the future service provider. The plans were approved by the Board of Supervisors in January 2012. Please refer to Appendix D – Meadowood Project Chronology for additional information.

In comments pertaining to the content of LAFCO's draft Executive Summary, Rainbow MWD staff stated that retraction of an earlier pre-annexation agreement is not sufficient justification to exclude an area from the District's sphere. The response also expressed that: (1) Rainbow MWD is capable of providing water and sewer services to the Meadowood development; (2) sewer service can be provided without constructing a sewage treatment plant; (3) exclusion from Rainbow's sphere is based upon Valley Center MWD's resolution in support of annexing the Meadowood project; and (4) the District does not oppose annexation of the Meadowood Project to Valley Center MWD.

Rainbow MWD and Fallbrook PUD, via contractual arrangements, deliver water to properties located in each other's service area. Since spheres are meant to identify the appropriate service purveyor, three options are available: (1) amend both District spheres to reflect where each supplies service, which would facilitate a future reorganization whereby the land would be shifted to the actual service provider; (2) designate a Special Study Area for the subject parcels to indicate that a sphere determination should be made in conjunction with a review and update for the Fallbrook PUD sphere; or (3) retain the existing sphere. Since Fallbrook PUD has adopted a resolution to dissolve Rainbow MWD and annex Rainbow's service area, retaining the existing spheres may be the preferred option.

Valley Center MWD

The Valley Center MWD's sphere of influence could be expanded to include: (1) the remaining 2,900± acres of San Luis Rey MWD's service area (the District's non-contiguous territory going to Rainbow MWD's sphere); (2) the northern 156 acres of the Meadowood Project site (specific plan area), which is not in any water or sewer service agency; and (3) the southeastern portion of the Gregory Canyon Landfill site (see Map 3). A second option would be to place all of the Meadowood Project site in Valley Center MWD's sphere, designate that portion of the Gregory Canyon Landfill site as a Special Study Area and leave the remainder of San Luis Rey MWD's sphere coterminous (see Map 4).

The Gregory Canyon project involves construction of a public landfill totaling 1,800± acres with approximately 1,300 acres as dedicated permanent open space. About half of the site is divided between the Rainbow and San Luis Rey MWDs, and the southeast 1,046 acres are not in any water district or in any agency's sphere. The portion of the site where operations will be located is in the San Luis Rey MWD, and the southeastern area is

adjacent to Valley Center MWD's northern boundary. That territory is vacant and likely will not require water and sewer services. Thus, it appears that designation as a Special Study Area is appropriate at this time with future evaluation if development is ever considered.

Even though the San Luis Rey River divides the San Luis Rey MWD's service area into northern and southern segments, Valley Center MWD can serve water to the northern portion via connection to a San Diego CWA pipeline, and sewer from a self-contained wastewater treatment plant. Not only can Valley Center MWD provide services, but also has indicated a willingness to do so via will serve letters and a resolution supporting annexation of the Meadowood Project site to the District.

San Diego CWA and MET

The spheres of influence adopted for the San Diego CWA and MET correspond to the spheres of all the member agencies. Therefore, amendments also are required for CWA and MET whenever the spheres or the service areas of the Rainbow and Valley Center MWDs are changed.

3. *Special Study Area Resolution*

During the North County Inland MSR/SOI Update Study of 2003, property located in the I-15/Old Highway 395 corridor was placed in a Special Study Area that was to be resolved when the Rainbow MWD sphere was updated. Rainbow MWD has indicated that it could provide service more efficiently to that section of Valley Center MWD located on the west side of the I-15, and conversely, the Valley Center MWD can more effectively deliver service to Rainbow MWD territory lying east of the I-15. Thus, the Districts' spheres should be adjusted to reflect this determination. In addition, in that portion of the Special Study Area located south of Rainbow MWD's boundary and east of I-15 that is in Vallecitos WD also should be included in Valley Center MWD's sphere to identify it as the appropriate future service provider (Map 6).

4. *Terms and Conditions*

San Luis Rey MWD originally submitted numerous terms and conditions pertaining to the proposed "Meadowood Reorganization" involving detachment from the District with concurrent exclusion from the District's sphere of influence. LAFCO staff's response was that the requested terms and conditions were either unnecessary or not imposable since they pertained to land use regulation or were not within LAFCO's purview.

The District's subsequent letter, reiterated terms and conditions specific to the monetary reimbursement needed to preserve the District's fiscal integrity as a consequence of detaching the 243± acre Meadowood property from the 3,000-acre District. The MWD is seeking reimbursement for costs arising from the Meadowood Reorganization (\$44,682.08) as well as associated property tax and water availability charges for a 30-year time span to offset revenue loss (\$33,469.20 for property tax and \$146,400.00 for the water availability charge). However, using the figure provided by County Property Tax Services, loss of property tax actually totals \$12,145.50 rather than \$33,469.20. San Luis Rey MWD could have participated in property tax exchange negotiations, but failed to make a request to do

so, making it appear that the District wishes to use the LAFCO process to overcome that failure. According to the District's legal counsel, the 30-year time frame is based on the charge having been collected for the last 30 years and the anticipation of collecting the fee for another 30 years.

In some cases, imposing a detachment fee condition is appropriate. Examples are: (1) when detachment requires the transfer of meters and/or other infrastructure to the annexing district; (2) when a district will continue service provision (such as the case of a fire district that remains the first responder based on mutual aid agreements); or (3) if a district has bonded debt attached to the subject property. None of these conditions apply to the Meadowood Reorganization – San Luis Rey MWD has no infrastructure, does not deliver water or sewer services, and has no bonded debt. Detachment fees are designed to compensate an agency either for continued service provision or to retire debt rather than to preserve financial stability. Furthermore, State Law has no requirement that a private property owner must pay a detachment fee to a local government agency.

San Luis Rey MWD's request for reimbursement of the water availability charges prompted questions regarding not only the lawfulness of the charge, but also about compliance with Proposition 218 statutes regarding collection of that charge or assessment. The California Water Code (Section 71630) allows a water standby assessment or availability charge where a district makes water available to users whether the water is actually used or not. The San Luis Rey MWD cannot provide water because it has no infrastructure or the legal authority from LAFCO to do so. Thus, the funds from this charge are not used for expenses associated with water distribution – rather, the money supports the District's efforts to advocate property owners' water rights. Since residents utilize privately-owned wells, another issue is whether safeguarding groundwater resources is an appropriate and legal use of water standby assessments or water availability charges.

The fundamental question then becomes what does it mean to make water available? LAFCO staff believes that the District cannot make water available because there is no infrastructure to either extract or distribute water, and San Luis Rey MWD has no access to either imported or local water resources. Local groundwater is not a District resource – it belongs to individual property owners. However, more importantly, San Luis Rey MWD does not have the legal authority to deliver water since the District has not obtained LAFCO's approval for activation of water service latent powers. The key component of making water available is having LAFCO authority to provide water via latent powers. Absent water latent powers, the District does not meet the criteria required to "make water available."

Moreover, research has indicated that the water standby assessment was never approved by voters as required by Proposition 218, thus rendering it an illegal tax. Therefore, LAFCO staff believes that the District should consider rescinding the standby assessment/water availability charge immediately and reimburse property owners retroactively for the maximum time period authorized under State Law. It also will be critical to ascertain whether the District can continue to be soluble if the water standby assessment/water availability charge is no longer collected. Staff requests that the San

Luis Rey MWD implement these actions and report back to the Commission within five years after approval of this MSR/Sphere Review. The five-year time frame corresponds to the next MSR/SOI review cycle.

Special Districts Advisory Committee

In November 2013, the Special Districts Advisory Committee discussed the Bonsall Pala MSR/SOI Update and San Luis Rey MWD's requested terms and conditions associated with the "Meadowood Reorganization." After discussion and a vote, Special Districts Advisory Committee members made the following recommendations:

1. The Terms and Conditions requested by the San Luis Rey MWD cannot be imposed by LAFCO.
2. There is insufficient justification for San Luis Rey MWD to receive detachment fees.
3. The Meadowood property should be removed from San Luis Rey MWD's sphere of influence.
4. The non-contiguous portion of San Luis Rey MWD should be removed from the District's sphere and placed in Rainbow MWD's sphere.

Environmental Review

The MSR is exempt from the environmental impact evaluation process because no environmental impacts result from the basic data collection, research, and analysis activities involved in producing the report.

The County Board of Supervisors adopted a Final EIR covering the Meadowood Reorganization and associated sphere of influence review. Since the proposed development project will be phased over several years, phasing would be coordinated with the availability of water, sewer, fire protection, and school services. The primary goal of the project is to accommodate housing demand based on projected population increases while retaining the existing rural atmosphere in the area. Overall, the project was approved because it achieves the goal of balancing population and housing needs with open space, agricultural land use, and the development of infrastructure in the community. A CD of the complete EIR is enclosed for the Commission and also can be downloaded from the LAFCO website. A listing of categories pertinent to LAFCO that have impacts mitigated to a level of less than significant follows along with a description of unmitigable impacts. A summary of the conclusions reached in the Final EIR is explained in more depth in the Supplemental LAFCO report that is attached.

- **Land Use Plans** – approval of the associated general plan amendment designated the project site as a Current Urban Development Area, which henceforth will be considered urban land where residential land use and densities would be appropriate.

- **Transportation Corridors** – the project is consistent with the I-15 Corridor Subregional Plan, Scenic Preservation Guidelines, and the Master Specific Plan for the I-15/SR-76 Interchanges.
- **Resource Protection Ordinance (RPO)** – the San Luis Rey River floodway will not be altered and steep slopes, sensitive habitat, and cultural resources will be preserved along with 91 percent of on-site (RPO) steep slopes; 122.4 acres of sensitive habitat will remain in open space.
- **Community Impacts** – the community of Fallbrook is physically separated by the I-15 corridor. While development of a maximum of 844 single-family and multi-family dwelling is allowed where four houses currently exist, no residents would be displaced during construction. No established communities are located in the project site.
- **Schools** – “will serve” letters were submitted by both the Bonsall Union Elementary School District (ESD) and the Fallbrook Union ESD. The project includes site for the construction of an elementary school within the Bonsall Union ESD.
- **Fire Protection and Law Enforcement** – the North County FPD has submitted a “will serve” letter, and has outlined fire protection development standards as design measures and implementing permits. Response time to the furthest dwelling unit from the closest FPD’s station is about five minutes.

The County Sheriff’s Department has indicated that no new facilities or expansion of existing facilities would be required.

- **Water** – annexation into the Valley Center MWD, San Diego CWA, and MET are required. Water demands, including dry year forecasts, projected for Meadowood were included in the Urban Water Management Plan 2007, which determined that the estimated potable water supply will meet the projected potable water demand. Also recycled water will be utilized for on-site irrigation to reduce the need for imported water.

Pursuant to the State Water Code a Water Supply Assessment and Verification Report (WSA) was prepared, which concluded that sufficient water is available to serve this project and other planned projects in San Diego CWA’s service area over the next 20 years during normal, dry year, and multiple dry year conditions. This finding was based on the availability of imported water, and use of recycled water.

- **Wastewater** – the estimated amount of wastewater is in compliance with County’s General Plan Public Facility Element Policies, which require a reasonable expectation, that wastewater treatment and disposal will be available.
- **Agricultural Resources** – an estimated 210 acres currently is used for agricultural activities; approximately 50 acres will be retained. The LESA score indicates that it does not represent a significant agricultural resource, and would not result in a cumulatively considerable contribution to the conversion of significant agricultural resources.

In the context of LAFCO's definitions, 14.5 acres of Prime Agricultural land will be converted to non-agricultural uses. However, this location has been planned to support additional development since around 1983; roadway construction is limited to traffic from only the proposed project; the area is included in the 2007 Update to the CWA 2005 Urban Water Management Plan; parks are scaled to comply with State and County requirements; and a new school site would assist in meeting student enrollment demands. Thus, the project is considered planned, orderly, and efficient development.

- **Growth Induction** – infrastructure will be sized to serve only the project; the area will support additional development as identified by SANDAG's Smart Growth Concept Map, the I-15 Corridor Subregional Plan, the I-15/Highway 76 Master Plan, and the County of San Diego's General Plan Update. Additional housing is proposed in an area historically planned to support residential and commercial development and is included in the 2007 Update to the San Diego CWA 2005 Urban Water Management Plan. Roadway construction will serve traffic from only the proposed project; parks are scaled to comply with State and County requirements; and a new school site would assist in meeting student enrollment demands.

Unmitigated Environmental Impacts

Mitigation measures were adopted for most impacts that will bring them to a level of insignificance. Complete lists of specific mitigation measures and design requirements are contained in the Final EIR. However, mitigation was not feasible for: (1) temporary, short-term adverse visual impacts related to project construction; (2) cumulative impacts related to overall changes in views from surrounding areas; (3) traffic/transportation impacts to segments of SR 76; and (4) air quality both during and after project construction. A Statement of Overriding Considerations was adopted to address these significant and unmitigated impacts.

- **Visual Character** – Temporary visual impacts during construction will occur, but will be reduced by design measures. Regional development will be a significant cumulative impact with no feasible mitigation available. Nevertheless, this project will allow the County to address current and projected housing needs for an increasing population. Because this area has been designated in the General Plan Update as a region that could satisfy that need, multiple projects are proposed that will change the existing visual character from rural land usage to urban land usage making the cumulative visual change in the region unavoidable.
- **Traffic/transportation** – Caltrans has adopted changes and/or alterations to address traffic/transportation impacts. However, given the magnitude of potential development in this region, additional improvements would require regional highway planning that is not under County jurisdiction.
- **Air Quality** – Project design promotes alternative forms of transportation to reduce traffic and associated emissions, but some are significant and unmitigable based on an air quality model that does not include anticipated reductions that could result

from recent regulations on motor vehicles. Regulations on future motor vehicles would reduce emissions, but cannot be quantified at this time.

Overriding Considerations

A lead agency may approve a project that could result in the occurrence of identified significant effects that cannot be avoided or substantially lessened as long as the agency provide a written statement containing the specific reasons to support the action, which is based on the Final EIR and/or other information in the record. The Board of Supervisors adopted a Statement of Overriding Considerations for the unavoidable significant effects by finding that they are acceptable due to each of the specific economic, legal, social, technological, or other overriding benefits that will result from approval and implementation of the projects.

Summary

Decision makers utilized MSRs and spheres of influence as guides when determining how municipal services can be efficiently provided. This is extremely important due to increased pressure to provide housing and other supporting services for the unprecedented population growth anticipated in California. San Diego County government together with SANDAG have planned for development along transportation corridors and within transit nodes. Thus, the intersection of I-15 with SR 76 has become a focal point for development since three municipal water districts are located in the area.

However, only Rainbow and Valley Center MWDs are authorized to provide both water and sewer services. San Luis Rey MWD had anticipated providing both water and sewer service in the future, but later abandoned that plan. Nevertheless, San Luis Rey MWD continues to protect local groundwater resources and advocate property owners' water rights.

Recently, Rainbow MWD indicated support of a sphere expansion and potential annexation by executing pre-annexation agreements and signing water and sewer availability letters, which indicate a willingness to support proposed developments in the I-15 corridor. In 2012, Valley Center MWD initiated the annexation of the Meadowood Project property. For these reasons, the following actions regarding the spheres for Rainbow, San Luis Rey, and Valley Center MWDs should be considered.

For the San Luis Rey MWD sphere, the Commission should opt for one of these choices:

Option 1:

Adopt a transitional/zero sphere and place the San Luis Rey MWD's territory in the spheres for Rainbow and Valley Center MWD, and possibly designate a portion of the Gregory Canyon Landfill site as a Special Study Area (see Map 3).

Option 2:

Adopt a coterminous sphere for the San Luis Rey MWD's remaining service area once the Meadowood Project site is placed in Valley Center MWD's sphere, and the non-contiguous part of San Luis Rey MWD is included in Rainbow MWD's sphere. In addition, place a

Special Study Area designation on the southeast part of the Gregory Canyon Landfill site, which is not in a water district or any agency's sphere (Map 4).

The Commission also should resolve the Rainbow and Valley Center MWDs' Special Study Area in the I-15 corridor as shown on Map 6.

Conclusions

A transportation corridor/transit node, which is located in the center of the study area, has been planned for residential development over the last 30 or more years. However, issues related to service provision needs in this area include that the San Luis Rey MWD does not provide water or sewer service at this time, nor has the lawful authorization to provide those services; and that the Rainbow MWD has wavered with respect to expanding service delivery to adjacent territory. Consolidating San Luis Rey MWD with either Rainbow or Valley Center MWD does not appear to be a desirable solution since annexation of San Luis Rey MWD's service area to the San Diego CWA and MET is unnecessary because that area probably will continue in agricultural usage.

Water and sewer services in areas proposed for residential development should be from Rainbow and Valley Center MWDs because they are established providers of both services. In particular, Valley Center MWD has assumed a leadership role in the area of water recycling, and Rainbow MWD has made significant strides in overcoming deficiencies that were identified in 2006. There are several impediments to San Luis Rey MWD becoming an urban level water and sewer service provider. Furthermore, the District adopted resolutions stating that it was not, for the foreseeable future, seeking activation of latent powers.

The majority of San Luis Rey MWD's service area is located beyond the area zoned for residential type development, and remains in agricultural usage and open space. The District does provide services not furnished by another local agency. A transitional sphere indicates that services ultimately should be transferred to another service provider, but, in this case, there is no other entity that could assume service responsibility.

Although legal research has determined that San Luis Rey MWD's water availability assessment charge is unlawful and we recommend its termination, we also support the continuation of the District's role as an advocate for water rights. Leaving the San Luis Rey MWD with a coterminous sphere after removing development-related areas is the preferred alternative. A coterminous sphere has merit because there is no successor agency. For these reasons, it is recommended that Option 2 be selected: removal of the development related areas from the San Luis Rey MWD's current sphere and adopt a coterminous sphere for the remainder of the District (refer to Map 4).

Rainbow MWD's sphere should be expanded to include the non-contiguous western portion of the San Luis Rey MWD as well as the Warner Property, and sphere adjustments associated with resolution of the I-15 corridor Special Study Area. In addition, the three parcels and nearby roadway that are not in any agency's sphere should be added to Rainbow MWD's sphere to indicate that it is the preferred provider if service is ever necessary (see Map 7).

The Valley Center MWD is identified as the preferred water provider for the Meadowood Project, has adequate water resources, capacity to supply sewer service, and will promote recycled water usage in the project area. Thus, Valley Center MWD's sphere should be extended to include the entire Meadowood Project footprint, the changes recommended for the I-15 corridor Special Study Area, and a Special Study Area designation should be placed on that portion of the Gregory Canyon Landfill site that is not in any MWD or district sphere (Map 8).

Recommendations

The accompanying document (*Municipal Service Review and Sphere of Influence Update: Study of Sewer, Water, and Recycled Water Services in the Bonsall and Pala Hydrologic Subareas of the San Luis Rey River Watershed*) contains the data analysis gathered in 2006 and presents the nine determinations originally specified by the Cortese/Knox/Hertzberg Act. The current MSR Determinations differ and have been included as Attachments A-C. The written Statements of Determinations that pertain to the sphere updates proposed for the three agencies under review are identified as Exhibits A-C. Based on the information evaluated in the MSR/SOI Update for the Bonsall and Pala Hydrologic Subareas. Therefore, it is

RECOMMENDED: That your Commission

- (1) Find, in accordance with the Executive Officer's determination, that pursuant to Section 15306 of the State CEQA Guidelines, the municipal service review is not subject to the environmental impact evaluation process because the service review consists of basic data collection and research that will not result in a disturbance to an environmental resource;
- (2) Certify, pursuant to Section 15091 of the State CEQA Guidelines, that the Commission has reviewed and considered the attached EIR. The mitigation measures approved by the Board of Supervisors for the impacts identified in the attached EIR have been adopted by the County of San Diego, and that the mitigation is under the jurisdiction of the County and not LAFCO because the affected resources and the extension of public services will continue to be the responsibility of the County and special districts since the subject territory will remain unincorporated;
- (3) Adopt, pursuant to Section 15096(h) of the State CEQA Guidelines, the Findings of Fact and Statement of Overriding Considerations previously adopted by the County of San Diego as lead agency, as shown in Exhibit 1;
- (4) Find, in accordance with the Executive Officer's determination, that pursuant to Section 15061(b)(3) of the State CEQA Guidelines removing the Special Study Area designation and adjusting the Rainbow MWD, Valley Center MWD, and Vallecitos WD spheres not subject to the environmental impact evaluation process because it can be seen with certainty that there is no possibility for the proposed project to significantly impact the environment, and the activity is not subject to CEQA;

- (5) Find that the reorganization is in compliance with LAFCO Policy L-101 in that the project would promote the planned, orderly, efficient development of the property based on conclusions reached in the environmental document because adjacent projects are bringing infrastructure to the area;
- (6) Accept the proposed Supplemental Municipal Service Review and Sphere of Influence Review for the Bonsall and Pala Hydrologic Subareas, and adopt the required Determinations as outlined in the document and also included as Attachments A-C;
- (7) Amend the Rainbow MWD sphere as shown on Map 7 to include the non-contiguous portion of the San Luis Rey MWD, the Warner Property, the segment of Pala Road adjacent to the Warner Property, as well as three areas located north of San Luis Rey MWD and south of Rainbow MWD in the Rainbow MWD sphere as well as changes consistent with resolution of the I-15 Special Study Area, and adopt the written Statement of Determinations as proposed in Exhibit A, attached hereto;
- (8) Amend the sphere of influence for the San Luis Rey MWD as presented in Option 2 to exclude the District's non-contiguous territory and the Meadowood Project site from the sphere and adopt a coterminous sphere for the remainder of the District as shown on Map 5, and adopt the written Statement of Determinations as proposed in Exhibit B, attached hereto;
- (9) Amend the Valley Center MWD to include the entire Meadowood Project site as well as changes consistent with resolution of the I-15 Special Study Area, as shown on Map 8, and adopt the written Statement of Determinations as proposed in Exhibit C, attached hereto;
- (10) Remove the Special Study Area designation and make the following changes (Map 6):
 - (a) Place Rainbow MWD territory located east of I-15 in the Valley Center MWD sphere;
 - (b) Include Valley Center MWD territory located west of I-15 in the Rainbow MWD sphere; and
 - (c) Add Vallecitos WD's territory located east of I-15 to Valley Center MWD's sphere;
- (11) Direct the San Luis Rey MWD to consider rescinding the standby assessment/water availability charge immediately and reimburse property owners retroactively for the maximum time period authorized under State Law, and report back with the results within five years after LAFCO approval of this MSR/Sphere Review; and
- (12) For the reasons set forth in this report, adopt the form of resolution approving this Municipal Service Review and Sphere of Influence Study for the Bonsall and Pala Hydrologic Subareas.

Respectfully Submitted,

MICHAEL D. OTT
Executive Officer

INGRID E. HANSEN
Chief, Governmental Services

MDO:IEH:trl

Attachments and Exhibits

LAFCO's Supplemental MSR/SOI Review Report

Map 1: MSR/SOI Review Study Area

Map 2: Overview of Area Projects

Map 3: San Luis Rey MWD Sphere: Option 1

Map 4: San Luis Rey MWD Sphere: Option 2

Map 5: Proposed San Luis Rey MWD Sphere

Map 6: Proposed Resolution of Interstate 15 Special Study Area

Map 7: Proposed Rainbow MWD Sphere

Map 8: Proposed Valley Center MWD Sphere

Resolution Approving Sphere Review and Meadowood Development

Exhibit 1: Findings of Fact and Statement of Overriding Considerations Environmental Impact Report (CD)

Appendix A: Synopsis of 2006 MSR Report Findings

Appendix B: LAFCO Policy L-101

Appendix C: LAFCO Policy L-102

Appendix D: Meadowood Project Chronology

Attachment A: MSR Determinations – Rainbow MWD

Attachment B: MSR Determinations – San Luis Rey MWD

Attachment C: MSR Determinations – Valley Center MWD

Exhibit A: Statement of Determinations: Sphere of Influence Update for the Rainbow Municipal Water District

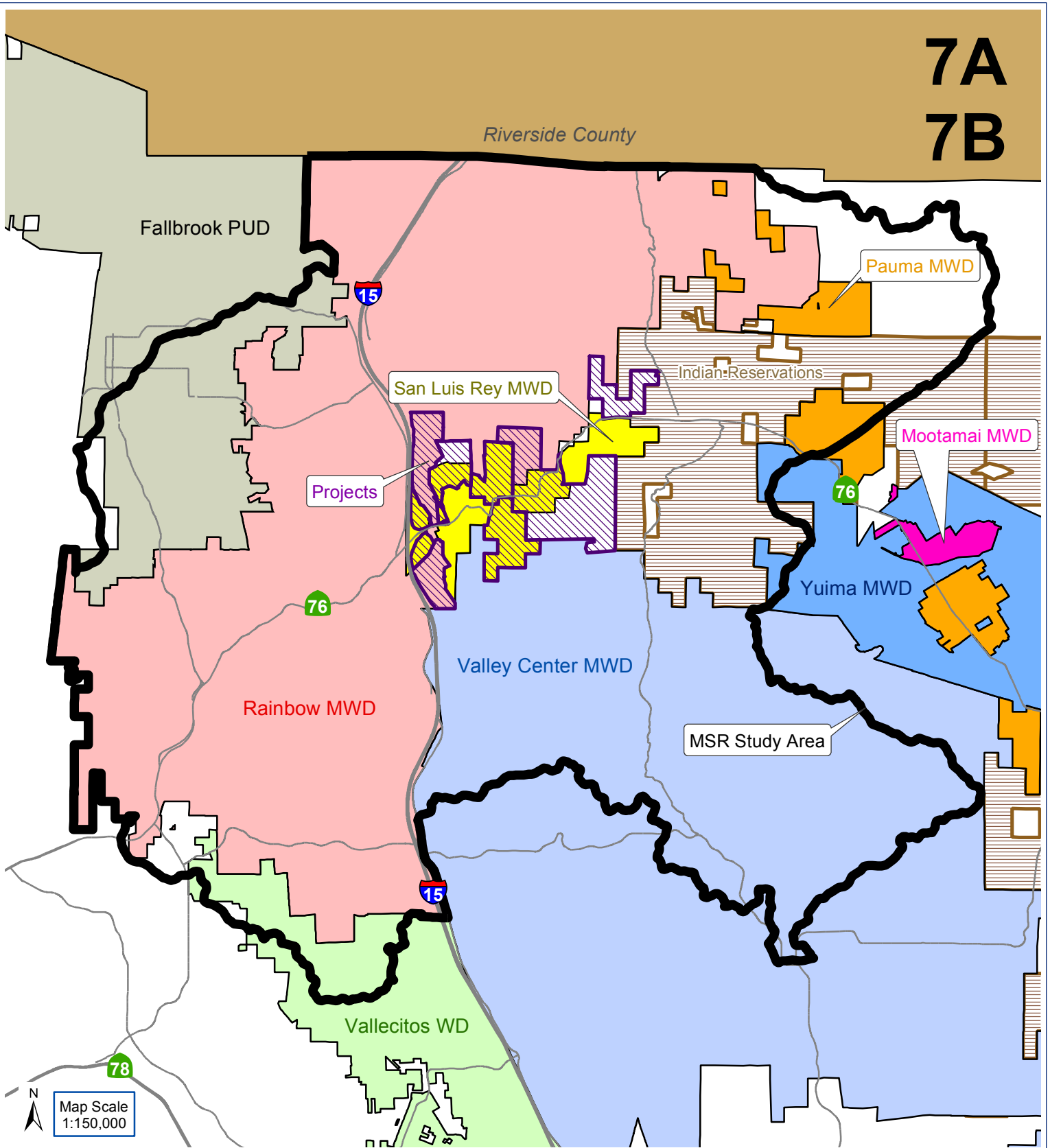
Exhibit B: Statement of Determinations: Sphere of Influence Update for the San Luis Rey Municipal Water District

Exhibit C: Statement of Determinations: Sphere of Influence Update for the Valley Center Municipal Water District

Electronic/Compact Disks (also available on LAFCO Website)

- Environmental Impact Report
- Municipal Service Review and Sphere of Influence Update: Municipal Water Districts within the Bonsall and Pala Hydrologic Sub Area; October 2006
- 2007 Special Districts MSR/Sphere Review

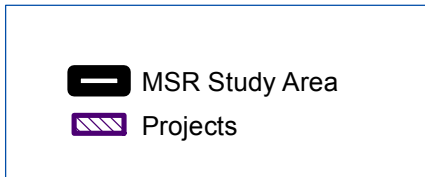
Riverside County

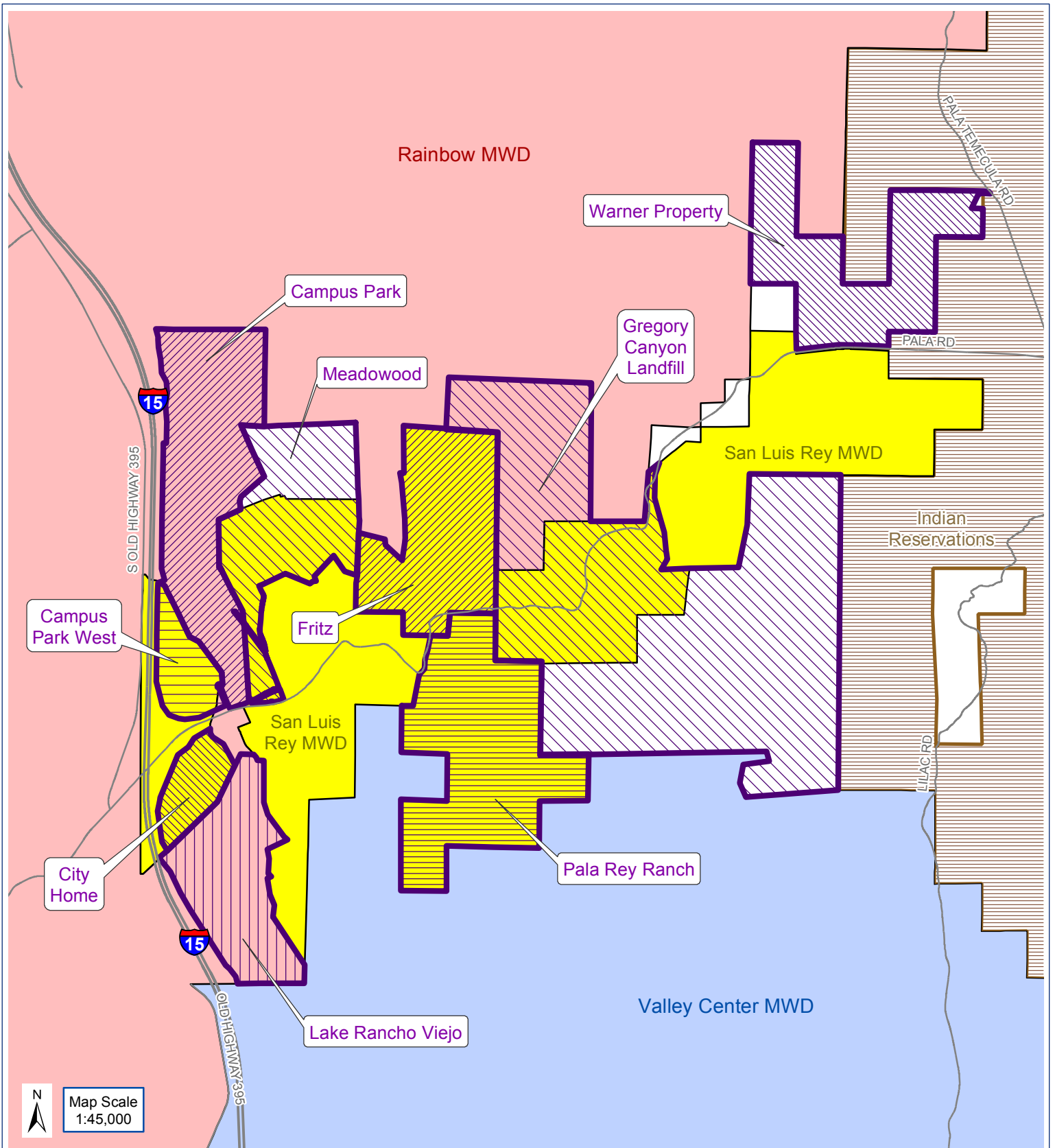


MAP 1 of 8

MSR/SR13-82; SA12-11(b)
MSR/SR13-88; SA12-11(c)
MSR/SR13-96; SA12-11(a)

**Overview of MSR Study Area
with districts and projects**



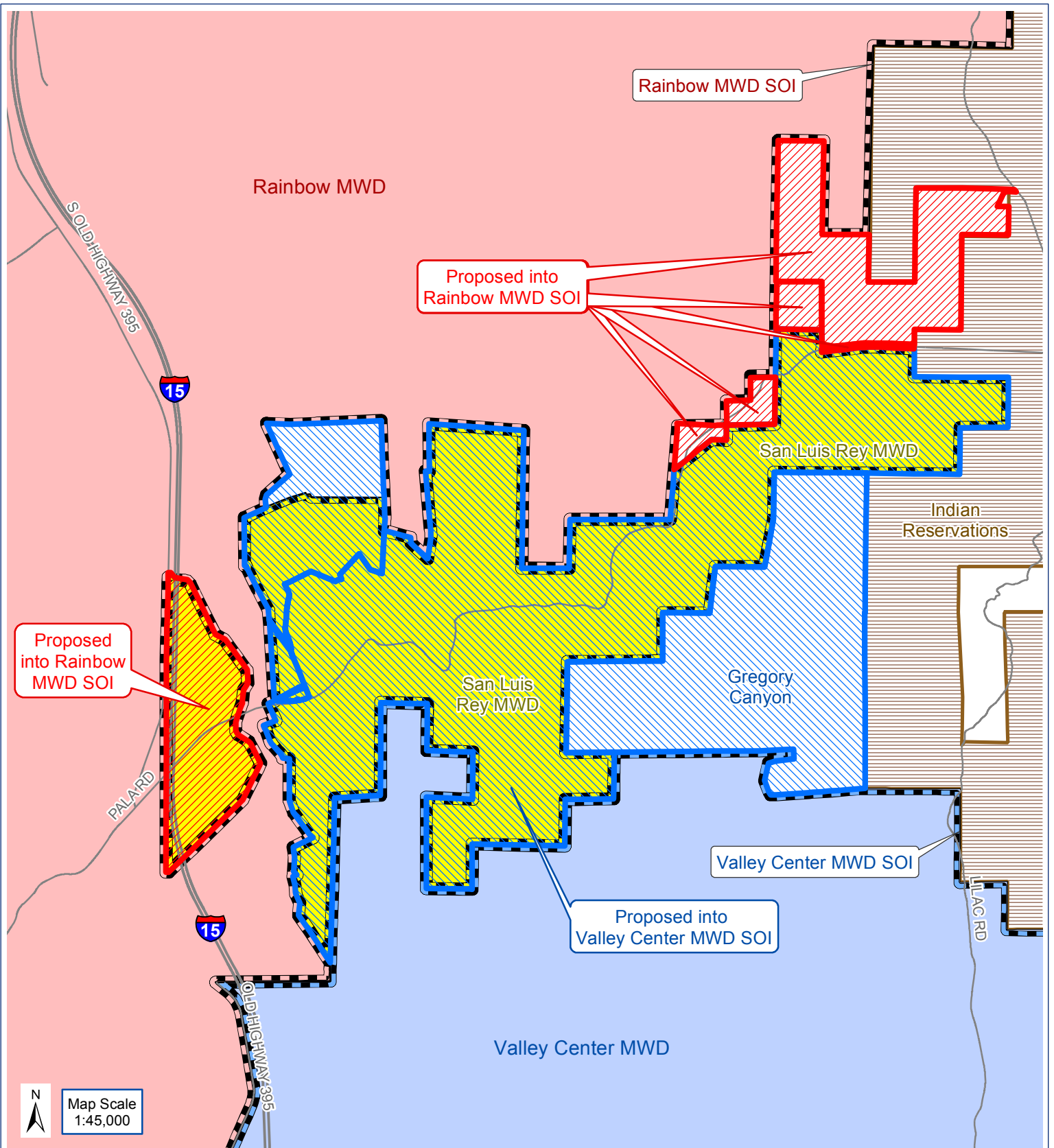


MAP 2 of 8

MSR/SR13-82; SA12-11(b)
 MSR/SR13-88; SA12-11(c)
 MSR/SR13-96; SA12-11(a)

Overview of Projects

- Rainbow MWD
- San Luis Rey MWD
- Valley Center MWD

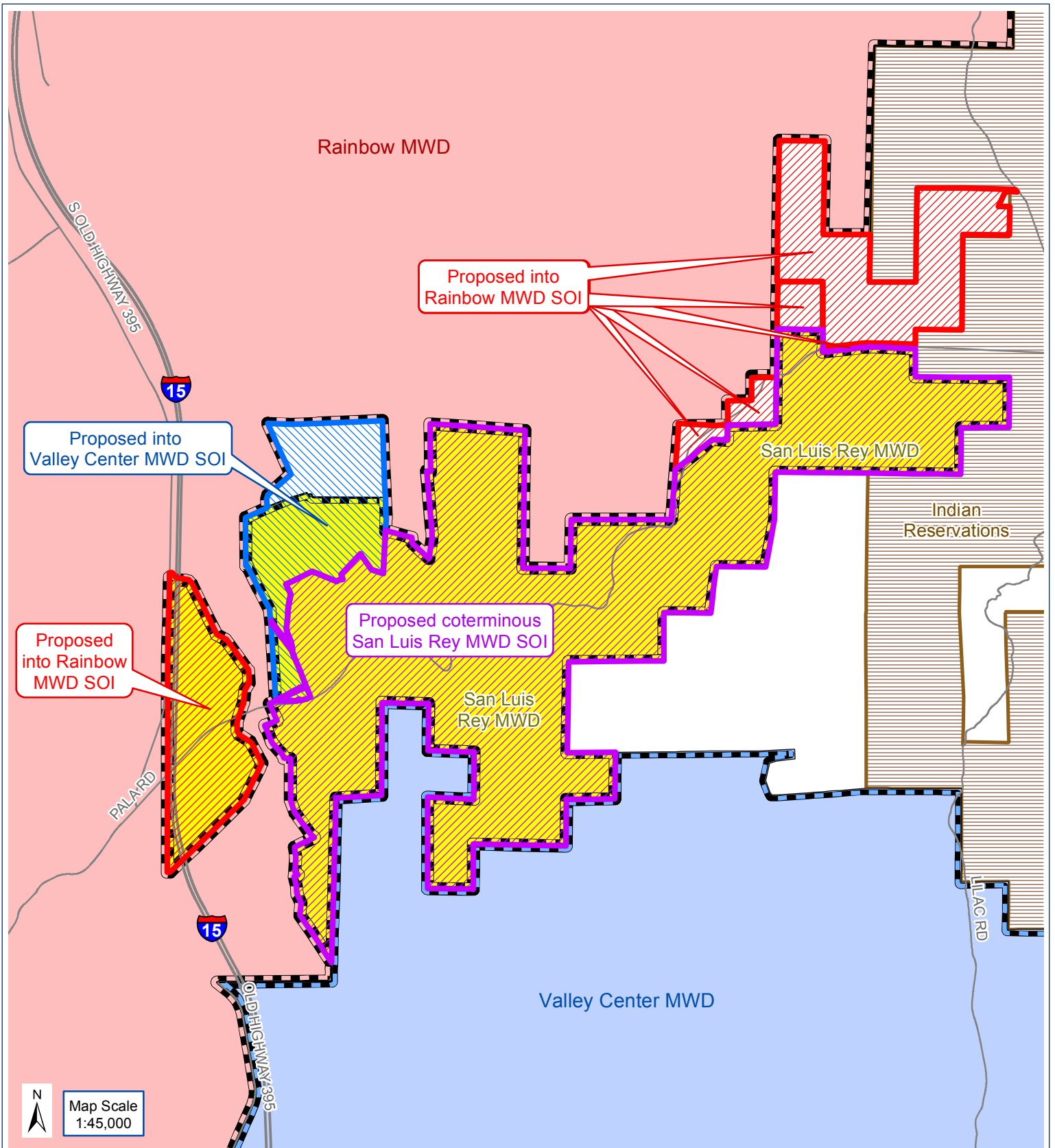


MAP 3 of 8

MSR/SR13-82; SA12-11(b)
 MSR/SR13-88; SA12-11(c)
 MSR/SR13-96; SA12-11(a)

**Option 1: San Luis Rey MWD
 Proposed Sphere of Influence Changes**




- Proposed into Rainbow MWD SOI
 - Proposed into Valley Center MWD SOI
- SOI = Sphere of Influence

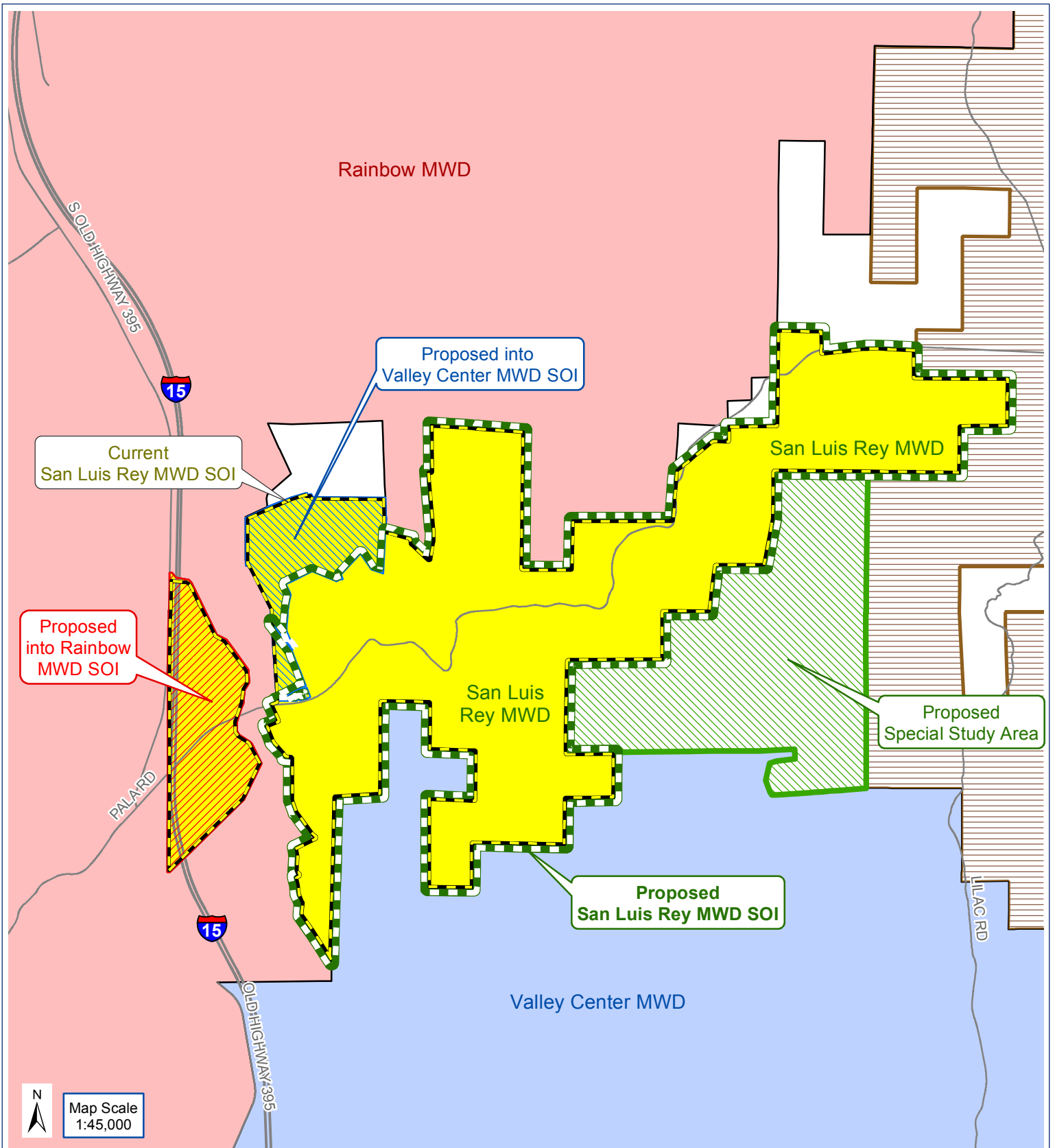


MAP 4 of 8

MSR/SR13-82; SA12-11(b)
 MSR/SR13-88; SA12-11(c)
 MSR/SR13-96; SA12-11(a)

**Option 2: San Luis Rey MWD
 Proposed Sphere of Influence Changes**

-  Proposed into Rainbow MWD SOI
 -  Proposed into Valley Center MWD SOI
 -  Proposed San Luis Rey MWD SOI
- SOI = Sphere of Influence**






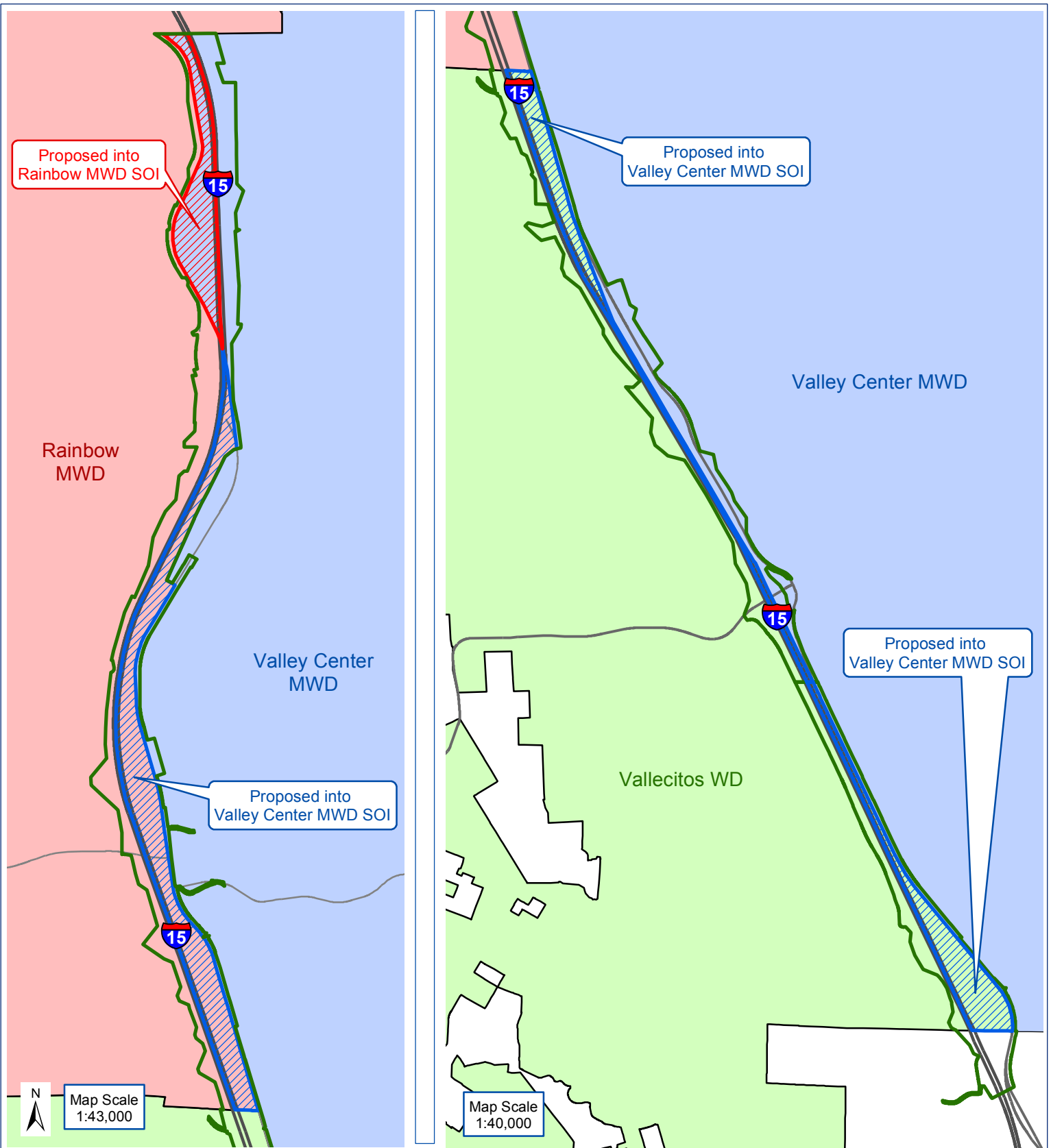
MAP 5 of 8

MSR/SR13-82; SA12-11(b)
MSR/SR13-88; SA12-11(c)
MSR/SR13-96; SA12-11(a)

Proposed San Luis Rey MWD Sphere of Influence and Special Study Area

Proposed Amendment to the Sphere of Influence for the San Luis Rey MWD (SA12-11(c))

-  Proposed San Luis Rey MWD SOI
 -  Proposed Special Study Area
 -  Current San Luis Rey MWD SOI
- SOI = Sphere of Influence

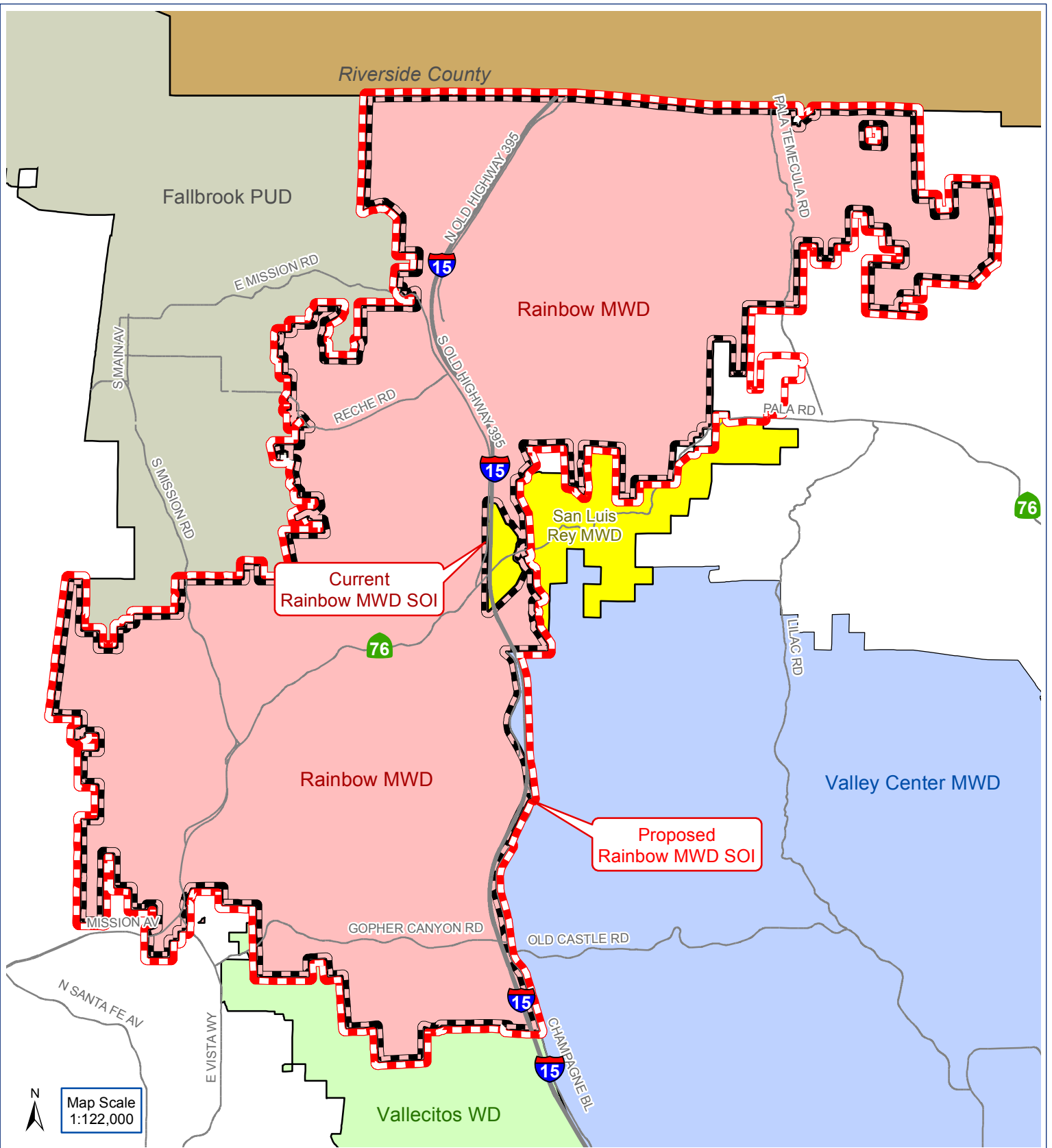


MAP 6 of 8

MSR/SR13-82; SA12-11(b)
 MSR/SR13-88; SA12-11(c)
 MSR/SR13-96; SA12-11(a)

**Proposed Sphere of Influence
 Changes for Interstate 15
 Special Study Area**

- Proposed to Rainbow MWD SOI
 - Proposed to Valley Center MWD SOI
 - Interstate 15 Special Study Area
- SOI = Sphere of Influence

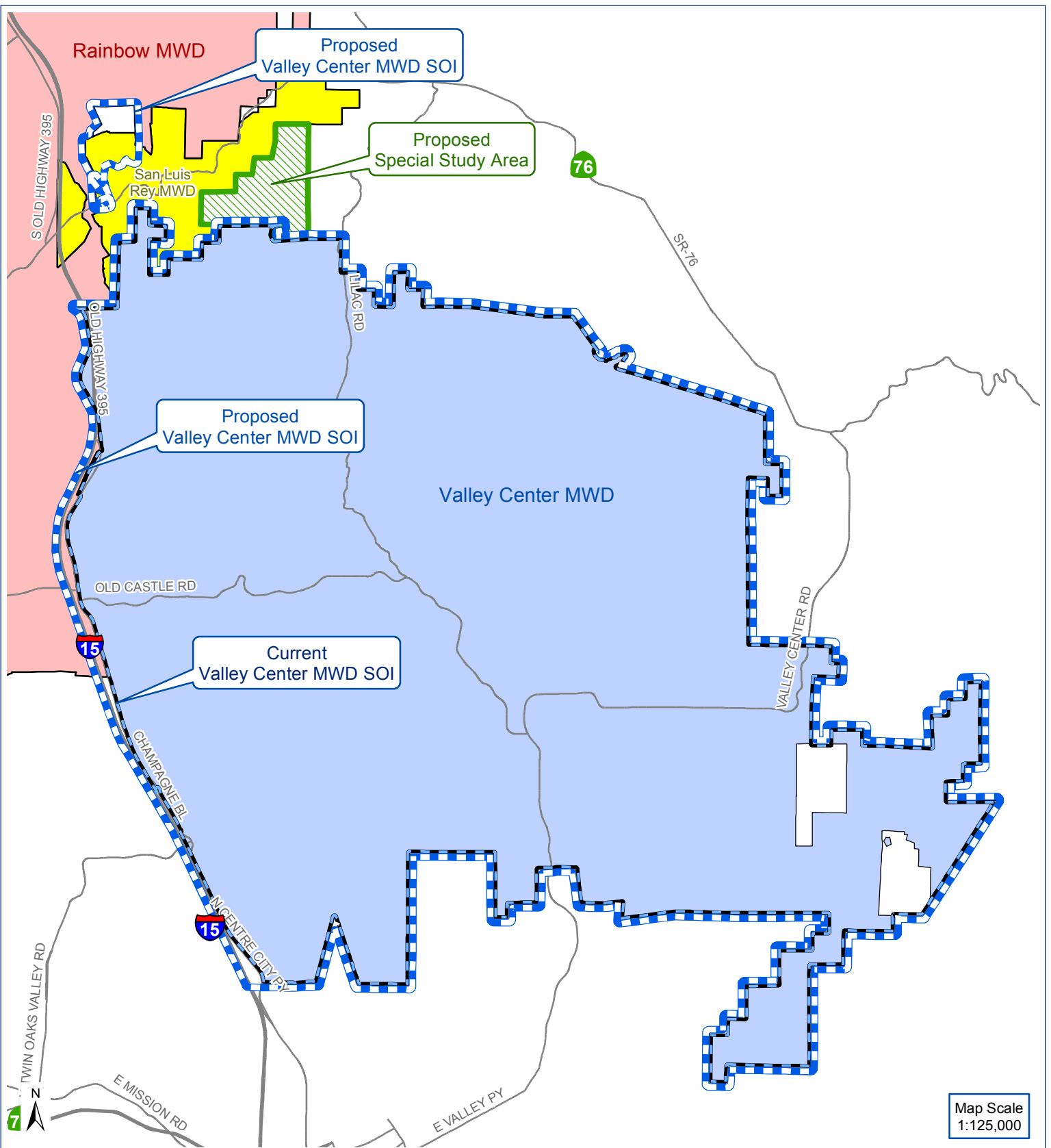


MAP 7 of 8

MSR/SR13-82; SA12-11(b)
 MSR/SR13-88; SA12-11(c)
 MSR/SR13-96; SA12-11(a)

**Proposed Rainbow MWD
 Sphere of Influence
 Proposed Amendment to the Sphere of
 Influence for the Rainbow MWD
 (SA12-11(b))**

	Proposed Rainbow MWD SOI
	Current Rainbow MWD SOI
	Rainbow MWD
SOI = Sphere of Influence	






MAP 8 of 8

MSR/SR13-82; SA12-11(b)
 MSR/SR13-88; SA12-11(c)
 MSR/SR13-96; SA12-11(a)

Proposed Valley Center MWD Sphere of Influence and Special Study Area

Proposed Amendment to the Sphere of Influence for the Valley Center MWD (SA12-11(a))

-  Proposed Valley Center MWD SOI
-  Proposed Special Study Area
-  Current Valley Center MWD SOI

SOI = Sphere of Influence

**SAN DIEGO LOCAL AGENCY FORMATION COMMISSION
APRIL 7, 2014**

AGENDA ITEM NOS. 7A & 7B

**SUPPLEMENTAL MUNICIPAL SERVICE REVIEW AND SPHERE OF INFLUENCE REVIEW:
STUDY OF SEWER, WATER, AND RECYCLED WATER SERVICES IN THE BONSTALL AND PALA
HYDROLOGIC SUBAREAS OF THE SAN LUIS REY RIVER WATERSHED
(MSR13-82; SR13-82; MSR13-88; SR13-88; MSR13-96; SR13-96)**

**ADOPTION OF AN AMENDMENT TO THE SPHERES OF INFLUENCE FOR THE
VALLEY CENTER MUNICIPAL WATER DISTRICT [SA12-11(a)]; RAINBOW MUNICIPAL WATER
DISTRICT [SA12-11(b)]; and SAN LUIS REY MUNICIPAL WATER DISTRICT [SA12-11(c)]**

ATTACHMENTS AND EXHIBITS

LAFCO's Supplemental MSR/SOI Review Report

Resolution Approving Sphere Review and Meadowood Development

**Exhibit 1: Findings of Fact and Statement of Overriding Considerations Environmental Impact
Report (CD)**

Appendix A: Synopsis of 2006 MSR Report Findings

Appendix B: LAFCO Policy L-101

Appendix C: LAFCO Policy L-102

Appendix D: Meadowood Project Chronology

Attachment A: MSR Determinations – Rainbow MWD

Attachment B: MSR Determinations – San Luis Rey MWD

Attachment C: MSR Determinations – Valley Center MWD

**Exhibit A: Statement of Determinations: Sphere of Influence Update for the Rainbow
Municipal Water District**

**Exhibit B: Statement of Determinations: Sphere of Influence Update for the San Luis
Rey Municipal Water District**

**Exhibit C: Statement of Determinations: Sphere of Influence Update for the Valley
Center Municipal Water District**

Electronic/Compact Disks (also available on LAFCO Website)

- **Environmental Impact Report (large electronic files, be patient on download)**
http://www.sdlafco.org/Agendas/April2014/7A_Meadowood_EIR_2012.pdf (47 MB)
http://www.sdlafco.org/Agendas/April2014/7A_Meadowood_EIR_Appendixes.pdf (474 MB)
- **Municipal Service Review and Sphere of Influence Update: Municipal Water Districts
within the Bonsall and Pala Hydrologic Sub Area; October 2006**
http://www.sdlafco.org/Agendas/April2014/7A_MSR_SOI_2006_from_LSA.pdf
- **2007 Special Districts MSR/Sphere Review**
http://www.sdlafco.org/Agendas/April2014/7A_2007_Commission_Letter_MSR_SOI.pdf

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**Documents are available on the LAFCO website at
www.sdlaco.org**

**Supplemental Municipal Service Review and Sphere of Influence Review:
Study of Sewer, Water, and Recycled Water Services
in the Bonsall and Pala Hydrologic Subareas
of the San Luis Rey River Watershed**

■ **LEGISLATIVE PRIORITIES**

Municipal Service Review Provisions

Under the provisions of Government Code Section 56430, Local Agency Formation Commissions (LAFCO) are responsible for conducting comprehensive studies, called Municipal Service Reviews (MSR), to evaluate the delivery of municipal services by both cities and special districts in each county. Service reviews are important informational reports that assist LAFCO, affected and subject agencies, as well as the public in coordinating efficient provision of public services to support the unprecedented growth that is expected in California during the next decade. The primary goal of the MSR is to gather and evaluate information in order to make seven determinations required by State statute pertaining to population growth; disadvantaged communities; present and future capacity of public facilities; finance; governance; opportunities for improvement and cost savings; accountability; and management efficiencies.

Recently enacted statutes require local agencies to plan for disadvantaged unincorporated communities when reviewing and updating general plans, master plans, municipal services, proposed changes of organization, spheres of influence, etc. A "disadvantaged community" is defined as an inhabited area (12 or more registered voters) comprised of 10 or more dwellings in which the median household income is 80% or less of the statewide annual median household income. The statute requires the identification of these disadvantaged communities located in or adjacent to each agency's sphere of influence. Moreover, the law requires that the same consideration be extended to those areas encompassed by existing spheres of influence for the special districts that provide public facilities or services related to sewer/wastewater, municipal and industrial water, or structural fire protection. Determinations associated with unincorporated communities have already been adopted for the local agencies included in this MSR/Sphere study; therefore, this study does not contain an extensive discussion of this subject.

Sphere of Influence and MSR Determinations are statements of the conclusions reached based on the information and evidence presented during the evaluation and analysis process. The Commission may use the determinations to provide guidance for future decisions, but the determinations themselves do not represent actions. The full list of determinations as they pertain to each District under review has been provided as Attachments A-C.

Sphere of Influence Requirement

State Law also requires that MSRs be conducted before, or in conjunction with updating spheres of influence. Defined in the Government Code as a "plan for the probable physical boundary and service area of a local agency," a sphere may be characterized as an advanced planning tool, which provides guidance to LAFCO in establishing physical boundaries and service areas of

cities and special districts. In addition, spheres help to achieve the core LAFCO objectives of promoting efficient provision of public services, encouraging orderly growth, discouraging urban sprawl, and avoiding duplication of service delivery. Inclusion within an agency's sphere does not guarantee annexation because a sphere is only one of several factors considered during deliberations. Instead, inclusion in an agency's sphere is a prerequisite for annexation.

To discharge the responsibility for planning and shaping logical and orderly development as well as coordinating governmental structure to benefit the present and future needs of residents, LAFCO not only develops spheres, but also can enact policies designed to promote statewide goals. A variety of circumstances – such as changes to general plan designations or zoning, or enactment of legislation affecting revenues – may affect an agency's ability to serve additional territory. Since change often cannot be predicted, State Law recognizes the importance of periodically reviewing spheres in order to make necessary revisions (Government Code §56425).

Spheres of influence are instrumental in providing guidance for jurisdictional boundary changes and promoting efficient delivery of community services. Accordingly, the San Diego LAFCO has adopted Legislative Policy L-102, which governs the manner in which the Commission establishes and updates spheres (refer to Appendix A). In initially determining or when updating a sphere, the Commission is required to consider and adopt determinations related to: (1) land use, including agricultural and open space land; (2) public facilities; (3) capacity and adequacy of public services; and (4) social or economic communities of interest. Also, when the sphere review includes special districts that provide public facilities or services related to sewers, municipal and industrial water, or structural fire protection an additional written determination must be made – (5) The present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.

2012 Census Tract information shows that there are no disadvantaged unincorporated communities (DUC) located in the study area boundary for the Bonsall and Pala Hydrologic Subareas. However, only the northern portion of Valley Center MWD is in that boundary, and two minor areas at the District's southern border may qualify as DUCs. A small portion of the western boundary of the Rainbow MWD abuts Camp Pendleton where qualifying DUC census tracts are located. However, the area has been exempted from the DUC program due to its federal status.

■ BACKGROUND

For several years, the San Diego Association of Governments (SANDAG) has promoted a vision of smart growth by locating development adjacent to transportation corridors. The area at the intersection of Interstate 15 (I-15) and State Route 76 (SR 76) is considered a transit node and has been designated by SANDAG as an ideal location for future development. In addition, the County of San Diego embarked upon a General Plan Update (known at the time as GP 2020) that proposed land use designations and zoning specifications that would support SANDAG's strategy. Since that time, the County approved the General Plan Update that proposes dense development within ½ mile of the I-15 corridor with property further east of the I-15/SR76 intersection planned for lower density residential development, rural uses, and agricultural pursuits rather than suburban-level development.

Associated with the development of this territory are service needs because development is dependent on the ability to obtain municipal level services (i.e. water, sewer, fire protection, etc.). Three water districts are located in and around this region – Rainbow, San Luis Rey, and Valley Center Municipal Water Districts (MWD).

Water Service

Importation of water in San Diego County is the responsibility of the San Diego County Water Authority (CWA) and the Metropolitan Water District of Southern California (MET) via member agencies. Thus, to obtain imported water, an agency must be a member of both San Diego CWA and MET. While Rainbow and Valley Center MWDs already are members and in the business of water distribution, the San Luis Rey MWD is neither a member agency nor an authorized water purveyor at this time.

To be eligible to obtain imported water for commercial sale, San Luis Rey MWD not only would have to gain membership in the San Diego CWA, but also would need to annex to both agencies in addition to obtaining approval by LAFCO to exercise latent powers for water provision. “Latent powers” are those services authorized by the principal act under which a district is formed, but were not specified for provision when the District was established. Since 1973, approval by the San Diego LAFCO has been required before a special district can activate or expand its latent powers.

Sewer/Wastewater Service

Municipal water districts can furnish other types of urban services, including sewer, recycled water, fire protection, and parks and recreation. At this time, Valley Center and Rainbow MWDs also provide sewer service. Even though sewer is supplied only to specified areas within each agency’s boundary, the Districts do have the legal authority to provide sewer service district-wide. However, the San Luis Rey MWD currently does not supply sewer service and does not have latent powers activation to do so. Two of Valley Center MWD’s wastewater treatment facilities utilize reclaimed water and the District is committed to expanding the use of recycled water whenever feasible. Neither the San Luis Rey nor Rainbow MWDs currently provide recycled water service.

LAFCO’s Agricultural Lands Policy

A significant consideration in evaluating potential development in this region is that the San Luis Rey MWD encompasses land that is primarily designated for agricultural purposes, and contains areas of prime agricultural land. Four large areas of designated prime agricultural land in the District are located in areas proposed for future development (Campus Park West, City Home, Fritz Holdings, Pala Rey Ranch, and Warner Property), and were reviewed in the District’s Master Plan.

The conversion of prime agricultural land to other uses as well as the potential adverse effect of development on agricultural soil is of particular concern to LAFCO. State policy specifically

mentions the need to preserve open space and protect prime agricultural lands (Government Code §56001) as well as instructing that any proposed jurisdictional change must evaluate the effect on maintaining the physical and economic integrity of agricultural lands (Government Code § 56668[e]).

To assist the Commission in guiding development away from prime agricultural lands and open space, the San Diego LAFCO has adopted an Open Space and Agricultural Land Preservation Policy (Policy L-101), which is included in this report as Appendix B. One component of the policy discourages proposals that would convert prime agricultural or open space lands to other uses unless such an action would be contrary to the planned, orderly, efficient development of an area.

Proposed Projects within the Study Area

Several projects to accommodate the anticipated growth in this geographic area had been proposed and some have now been approved. At this time, the County has approved the following projects: Campus Park (503 acres), Meadowood (390 acres), and Lake Rancho Viejo (315 acres). Campus Park and Lake Rancho Viejo are located in Rainbow MWD and are not subject to changes of organization that necessitate LAFCO's involvement. Proposed projects include: Pala Rey Ranch (558 acres), Campus Park West (103 acres), City Home (94 acres) and Warner Ranch (429 acres). While some of these projects already are in a district that can provide water and sewer services, others are not and therefore do not have access to imported water or provision of sewer service. Refer to Map 2.

During the review of proposed projects, the Commission must consider factors outlined in State law (Government Code Section 56668[a – n]). Some of the topics to be evaluated relate to population, growth, topography, and drainage basins; the need for municipal services; effects on adjacent territory and community character; conformity with land use designations and general plans as well as local policies; and adequacy and service availability/capacity, etc. In particular, paragraph (b) discusses "services" and notes the need to have the public facilities that are required to provide those services.

Specifically, the Meadowood Project will require jurisdictional changes prior to extension of urban services to the residential development plan approved by the County in January 2012. The property falls in the County's zoning designation for higher density residential land use supported by SANDAG's plan. However, approximately 40% of the project footprint is not in any agency that provides water and sewer service, and the remaining territory is in the San Luis Rey MWD, which does not have public facilities and is not empowered to deliver those services.

In July 2004, Pardee Homes entered into a pre-annexation agreement with the Rainbow MWD so that water and sewer service could be provided to the Meadowood Project. However, less than a year later, the District Board voted to rescind the agreement leaving the project without a provider of these essential services. Thus, the owner approached the San Luis Rey MWD with the prospect that the District could be granted latent powers for provision of both water and sewer service. However, to obtain imported water, a district must become a member of the San Diego CWA. San Luis Rey MWD's request for membership was denied. The District also has

no infrastructure to distribute water or collect sewer and no permits to do so. Once it was determined that water and sewer provision from San Luis Rey MWD was infeasible, the owner contacted the Valley Center MWD with a proposal to become the service provider.

In 2002, Pardee Homes obtained an option to purchase the territory now known as the Meadowood Project; the final acquisition occurred in 2007. The seller of the property was a family trust; one member of which has been a Director of the San Luis Rey MWD for many years. Annexation of the Meadowood property to either the Rainbow or Valley Center MWD was then proposed to would include detachment from the San Luis Rey MWD.

MSR/SOI Study Process

Representatives of the San Luis Rey MWD met with LAFCO staff regarding service provision issues associated with developments proposed both in and adjacent to the District. Two County-approved developments – Lake Rancho Viejo and Campus Park – already were in the Rainbow MWD and its sphere. Other areas of potential development in this region were either totally or partially in the boundary of the San Luis Rey MWD – Meadowood Project, Campus Park West, City Home, Fritz Holdings, and Pala Rey Ranch. Inquiries related to the Warner Property, which is located approximately 5 miles from the I-15/SR76 intersection, also had been received.

LAFCO staff instructed San Luis Rey MWD to develop a Master Plan and concluded that the preparation of an MSR/SOI Study for this area would help resolve jurisdictional issues associated with the provision of water, sewer, and recycled water services in that region. Since not authorized to provide water and sewer services, the District also expected to apply for the activation of those latent powers. In August 2005, the San Luis Rey MWD Board passed a resolution requesting LAFCO to initiate an MSR/SOI Study and to activate the District's latent powers for water and sewer service provision.

In late 2005, the San Luis Rey MWD began preparation of an MSR/SOI Study for the region. By virtue of the District's location in the San Luis Rey River Valley, the geographic area chosen for the service review was the area delineated by the State of California as two subareas of the San Luis Rey River Watershed – the Bonsall and Pala Hydrologic Subareas. Other governmental agencies located in the subject hydrologic subareas are the majority of Rainbow MWD territory, as well as most of the northern portion of the Valley Center MWD. Although segments of the service areas of Fallbrook PUD, Vista Irrigation District (VID), Vallecitos Water District (WD), and Yuima and Pauma MWDs are located in the study area, those agencies were not identified as having a direct relationship to the territory subject to proposed development, and were not included in the eventual MSR/SOI Study. Because the districts selected for review were limited to the Rainbow, San Luis Rey, and the Valley Center MWDs, the study area boundary was enlarged to include all of Rainbow MWD territory (refer to attached Map 1).

A 2001 LAFCO inventory of each special district indicated that the San Luis Rey MWD primarily funds legal activities to protect water and water storage rights of property owners. However, the District expressed interest in the activation of latent powers to provide water and sewer service. Thus, the service review was designed to cover delivery of those two services in addition to furnishing recycled water.

LAFCO staff formed a special working group that was comprised of representatives from the subject districts (Rainbow, San Luis Rey, and Valley Center MWDs), LAFCO staff members, and the consultants responsible for producing the MSR/SOI Study document. To complete this review, a Request for Information (RFI) survey was developed and distributed to the subject districts. Working group members reviewed LAFCO's RFI prior to distribution and provided input and guidance throughout the process, which included data collection, preliminary analysis, and subsequent development of possible alternatives for service provision in the study area.

Once completed, San Luis Rey MWD's Master Plan covered an expansive land area including: (1) two County-approved projects (Lake Rancho Viejo and Campus Park) located in adjacent territory but in the Rainbow MWD and its sphere of influence; (2) one project (Meadowood), partially in San Luis Rey MWD and in the initial phase of the County's planning process; (3) preliminary speculative plans outlined by the property owners (Campus Park West, City Home, Fritz holdings, and Pala Rey Ranch); and (4) the Warner Property. Thus, calculations contained in the Master Plan consisted of projections for water demand, water storage, wastewater generation rates, housing units, etc. for developments located in Rainbow MWD's service area. The Master Plan also identified and evaluated projects that were well beyond the area envisioned in the General Plan Update for future development. The District requested that its sphere be expanded to include all development-related projects in the region, including those already in the Rainbow MWD.

The draft MSR/SOI Study was distributed for comment, and was made available for public review, which resulted in the submittal of eight letters. Although no statutory requirement to respond to the comments existed, general responses were prepared and incorporated into the final MSR/SOI Study document, which contains a copy of each letter as well as responses to the comments.

Because both the Master Plan and sphere update are subject to environmental review requirements, San Luis Rey MWD opted to undertake a programmatic environmental impact report (PEIR) that addressed both projects. Shortly after the District's certification, three lawsuits were filed disputing the information contained in the document. Because the District failed to provide a defense, approval of the Master Plan was voided and the PEIR decertified by resolution on March 19, 2008. In a subsequent letter, the San Luis Rey MWD Board stated that efforts to activate latent powers to provide water, wastewater, and recycled water services were to be terminated for the foreseeable future.

Absent an approved environmental document, the sphere update and MSR were suspended. On August 6, 2007, the Commission adopted the "Municipal Service Review and Sphere of Influence Review for all Districts in San Diego County." Rainbow, San Luis Rey, and Valley Center MWDs were included in that review.

In the meantime, the Meadowood Project proponents incorporated environmental review necessary for a sphere update into that project's EIR. In January 2012, the Board of Supervisors unanimously approved the Meadowood Project and the associated environmental document with Valley Center MWD specified as the water and sewer service provider. Previously, the Valley

Center MWD Board had voted to support annexation of the Meadowood property, and furnished plans and documentation outlining how services could be provided. Please refer to Appendix D for a complete chronology of the Meadowood Water/Wastewater Provision Background.

Subsequent to the County's development plan approval in 2012, LAFCO's draft Executive Summary, draft Report, and a synopsis of information from the 2006 report were distributed to each agency under review. Relevant information was then updated and incorporated into the final report. In addition, LAFCO's Special Districts Advisory Committee reviewed comments and terms and conditions submitted by the San Luis Rey MWD.

■ AGENCY DESCRIPTIONS & CURRENT SPHERES OF INFLUENCE

For a detailed description of specific findings contained in the 2006 report, please refer to the attached Synopsis (Appendix A).

Rainbow MWD

Encompassing about 80 square miles, Rainbow MWD is located in northern San Diego County with the northern boundary coterminous with the San Diego/Riverside County border. Having a population of approximately 17,750 people, District territory includes the unincorporated communities of Rainbow and Bonsall, as well as portions of the unincorporated communities of Pala and Fallbrook. As of July 1, 2014, no disadvantaged unincorporated communities (DUCs) have been identified in or contiguous to Rainbow MWD's service area except for Federal lands located within Camp Pendleton. These Federal lands are not subject to LAFCO's DUC Program. Currently, most of the service area is agricultural in nature with small areas of low-density residential development adjacent to some main roadways (Gird, Gopher Canyon, and West Lilac Roads as well as Tecolote Drive.). In addition, Lake Rancho Viejo is a newly constructed, suburban-type residential development located just east of I-15 and south of SR 76. Pockets of denser land uses, which generally consist of commercial areas, are located along SR 76.

The District was established in 1953 and immediately became a member agency of San Diego CWA and MET. Membership in those two agencies gave the District the right to purchase and distribute imported water. Upon formation, Rainbow MWD also received entitlement to provide sewer services, but currently supplies sewer to only about 14% of developed parcels. The majority of existing residences utilize septic systems.

Sewage from Rainbow MWD is conveyed to the City of Oceanside's wastewater plant for treatment. Currently, the District's purchased capacity can accommodate the average dry weather output, but problems may occur if wastewater generation increases. Since there is no plan for Oceanside to upgrade the facility in the future, the District may need to explore alternative treatment and disposal options if anticipated development and the associated rise in sewage production occur.

Rainbow MWD has predicted that future development likely will be very low-density in nature and on-site septic systems can be utilized. Moreover, a District ordinance stipulates that only parcels within 250 feet of sewer mains and trunk lines can connect to the system. This situation,

in combination with the 2006 inventory of less than 100 EDUs available for sewer service, resulted in minimal capacity for growth and having no surplus capacity available to share with other agencies. Increased demand for sewer service would have required construction of additional conveyance, treatment, and disposal facilities. Two options to address this issue would have been: (1) upgrading the Oceanside treatment plant to accommodate increased volume in conjunction with purchasing additional capacity; or (2) constructing and operating a new wastewater treatment plant. However, in 2012, Rainbow MWD staff reported having more than 2,600 EDUs of capacity available in the sewage collection system.

Currently, Rainbow MWD is in the process of addressing infrastructure deficiencies and other problems noted in the 2006 report and provided in the attached Synopsis. Improvements and upgrades have been made to infrastructure resulting in increased water pressure. In addition, the open reservoirs have been covered to reduce risk to water quality so that the District currently is in compliance with all water quality laws. Over the last few years, the District also has experienced more consistency in leadership and enhanced employee stability.

Rainbow MWD is governed by a five-member Board of Directors elected by geographic division with terms of four years and elections conducted each even-numbered year. While having approximately 50 employees, the District provides some services, such as general legal counsel, engineering, tank maintenance, and administrative (general manager) on a contractual basis.

Revenue sources include a share of the property tax, service fees, connection fees, investment income, and fees charged for annexation of property. While specific policies regulating reserve funds have not been adopted, the Board annually approves monies earmarked as a reserve fund for infrastructure replacement and improvement.

To guarantee fiscal accountability and implement cost-saving measures, the Board has adopted an ordinance limiting the borrowing of money via loans or bonds; established a meter replacement program; and required that new facilities necessary for new development be funded by the developer and that those facilities ultimately are dedicated to the District. Moreover, membership in the San Diego CWA not only provides for shared financing, construction, operation, and maintenance of the water distribution system, but also allows access to the water authority's public information, education, and water conservation programs.

Contractual Service Agreements

The District reported that services are provided by contract to several areas outside the boundary and sphere. These arrangements were created in circumstances where the District could provide water service more efficiently than another entity. One of these areas is Gilligan Groves – a 200-acre agricultural area on the District's southeastern boundary – that is located in the City of Oceanside. In addition, other parcels are served by Rainbow MWD despite being located in either the Fallbrook PUD or the City of Oceanside. Conversely, some areas in Rainbow MWD are served by the Fallbrook PUD on a contractual basis. In the last year, Rainbow MWD and Fallbrook PUD functionally consolidated. However, on March 10, 2014 Fallbrook PUD adopted a resolution to initiate a reorganization involving dissolution of the Rainbow MWD with concurrent annexation of Rainbow MWD's service area to Fallbrook PUD as well as activation

of the PUD's latent sewer powers in the annexation territory. Activation of Fallbrook PUD's latent sewer powers within the proposed annexation would not change the geographic area in which sewer service was previously provided. The proposed reorganization will be evaluated and the resulting study available under separate cover.

Sphere of Influence

In 1984, Rainbow MWD's original sphere was adopted. Since that time, eight amendments have been approved, thus making the sphere coterminous with the District's existing boundary. Currently, there are two islands in the District's external boundary. One is a small, square-shaped, area in the District's northeastern region that represents a non-contiguous portion of the neighboring Pauma MWD. The second is the western, non-contiguous portion of the San Luis Rey MWD. Also of note are the following: (1) an area in Rainbow MWD's southwestern region located north of Mission Avenue and west of Mission Road overlaps the City of Oceanside; and (2) the area along the I-15 corridor abutting the Valley Center MWD has a Special Study Area designation (refer to discussion of Valley Center MWD sphere on Page 14 of this report).

San Luis Rey MWD

Located in northern San Diego County, the San Luis Rey MWD covers approximately 3,000 acres that surround a segment of the San Luis Rey River, east of I-15 and west of the Pala Indian Reservation. In 1958, the District was formed as a Municipal Water District, but never requested nor was granted the authority to furnish water service to area residents. Instead, the primary mission is to protect the quality, quantity, and access to underground water that is pumped from wells located in the San Luis Rey River basin, and to represent the interests of landowners regarding their water rights. The District does not have the lawful right to provide any service other than protection of groundwater resources and advocacy activities pertaining to water rights.

There have been only four changes to the District's original boundary – one annexation of property occurred in 1970, and three areas were detached from the District during the period spanning 1972 to 1985. A reorganization, which was processed in 1985, involved removal of territory from San Luis Rey MWD in conjunction with annexation to Rainbow MWD.

Currently characterized as rural in nature, the District's service area contains scattered residences with a population of 74 in the 2000 Census that rose to 100 according to SANDAG's 2009 data. No disadvantaged unincorporated communities are located in or adjacent to the San Luis Rey MWD. The Registrar of Voters reported that only 44 people were registered to vote in the 2002 election, and estimated in 2006 that there were 30 or fewer registered voters in the District at that time. Nevertheless, SANDAG has projected future growth at 2.75% annually for the Pala-Pauma and Fallbrook Community Plan areas, which generally are located in the San Luis Rey MWD. Believing that potential population growth would occur in the future, the District approached LAFCO for guidance and subsequently initiated the Master Plan in preparation to become the water and sewer service provider to a number of proposed and/or anticipated developments in the region.

Since the District only furnishes groundwater protection, legal advice, and other property owner advocacy activities, no infrastructure has been installed. The Master Plan that was undertaken proposed future provision of water, sewer, and recycled water services based upon the belief that potential growth in the area was imminent. The document examined service provision throughout the District's existing territory as well as additional property encompassing 3,000± acres. Because San Luis Rey MWD envisioned evolving into a suburban district responsible for service provision, several project areas that were either the subject of development plans or proposed by landowners for future development were incorporated into the Master Plan. Several of those projects envisioned densities far greater than what was allowed under the County's General Plan at that time and the designations contained in the General Plan Update.

The District has little history of financial activity, and has no existing investments or policies covering reserves. There are no retail charges since the District does not supply water or wastewater services. Revenue is obtained through a share of property taxes, investment income, developer reimbursement for costs based on the District performing various activities, as well as a water availability charge that San Luis Rey MWD claims was granted via special legislation. The District stated that this fee is used to defray costs associated with the special water management issues that are unique to the District. The FY2013-14 budget reveals that of the \$88,075 of annual funding available, \$73,000 is earmarked for legal expenses.

San Luis Rey MWD is governed by a five-member Board of Directors, each representing a division within the District – each division has approximately an equal number of registered voters. Terms last for four years with the divisions split into two groups and elections alternating every other year, so that no more than three Directors are subject to election at one time. However, recently conducted research discovered that the Directors have been appointed for the last 20 years.

In response to LAFCO's Request for Information, San Luis MWD's representative stated that "Every election, the San Diego County Registrar of Voters informs the District that there are 'insufficient candidates' to hold an election. At such time, the District requests that the San Diego County Board of Supervisors re-appoint the incumbent Director(s). Should a Director resign during his term of office, a notice of vacancy is posted ... If no qualified person comes forward to fill the vacancy, the District contacts the San Diego County Registrar of Voters office for a list of registered voters in the District's Division where the seat has become vacant, and the District's President canvasses said voters for a volunteer to fill the vacancy ... remaining Board members will appoint a qualified person to fill the vacant Division director's term of office, and will notify the San Diego County Board of Supervisors of its action and request confirmation of the new appointment."

The San Luis Rey MWD has no employees; instead, contract professionals are used for legal, geotechnical, engineering, environmental, and management services. Formal agreements are executed, which results in the Board members interacting directly with the contract professionals when necessary. However, the Board President handles many administrative matters, and the Vice President serves as the financial officer. Between 1980 and 2011, District administrative, clerical, and legal duties were performed by the same General Counsel, who was responsible for

ensuring compliance with State and other regulations governing special districts. Since 2011, a new General Counsel has assumed the responsibility for providing legal assistance.

Information pertaining to District meetings that is contained in the MSR/SOI Update report of 2006 is out of date, and current conditions were examined. While meetings used to occur at the Pala Casino, which offered public access, meetings are now held in a farm operations building. District meetings are held at 4:00 p.m. on the third Wednesday of each month at the Pankey Ranch Office in Fallbrook. One attendee reported that the meeting location is difficult to find, inaccessible to public transportation, located on a privately owned, unmarked, unimproved dirt road with no handicapped parking, and no ADA (Americans with Disabilities Act) compliant restroom facilities. Thus, meetings cannot be characterized as having adequate access by the public.

During the summer of 2013, San Luis Rey MWD's website was disbanded making public access to agendas and other notices problematic. According to the District's legal counsel, the District has had the same telephone number for at least five years, and also maintains an e-mail account. Furthermore, "The District is relatively small in terms of acreage and population, with the District's Directors being neighbors with many of those populating the District, which has and continues to allow for the District's property owners to stay in tune (as much as they desire) with District business, in addition to an annual report mailed to each property owner about District business from that year." While the monthly agenda is posted by the post office boxes along Highway 76 at the Pankey Ranch, located at 5328 Highway 76, Fallbrook, CA 92028, it has no map. The District Counsel asserts that "... the address is provided on every agenda and well known to property owners in the District and readily available to locate, particularly with internet services providing maps and/or navigation assistance." Documents distributed less than 72 hours prior to a meeting are available for public inspection at the District's General Counsel's office. However, the Counsel's office is located in Orange County (Irvine, CA).

On the District's agenda, discussions regarding the Meadowood detachment have been characterized as "Conference with Real Property Negotiators" and, therefore, have been conducted in closed session, which precludes public testimony and discussion. As stated on the agenda, "District Legal Counsel will participate in closed session discussion via telephone from his office located at 1881 Von Karman, Suite 1700, Irvine CA 92612."

Sphere of Influence

With no anticipated need for future expansion of the service area, a coterminous sphere of influence was adopted for San Luis Rey MWD in 1987. Because the 1985 reorganization involved removal of property in conjunction with annexation to Rainbow MWD, San Luis Rey MWD's most westerly territory is a non-contiguous area separated from the majority of the District by a corridor of Rainbow MWD land. This non-contiguous area is included in the District's sphere. No changes have occurred since the original sphere was adopted 1987.

The MSR/SOI Study of 2006 revealed that San Luis Rey MWD was requesting an expansion of the sphere to encompass adjacent territory totaling nearly 3,000 acres. This sphere extension was in anticipation of providing service to developments planned for the future. Of this proposed

expansion area, approximately 1,190 acres already are in Rainbow MWD (Campus Park and Lake Rancho Viejo) and 1,790 acres currently are not in an agency providing water or sewer service. As previously mentioned, some of that territory is the subject of development plans being processed and some is located in areas with speculative visions of future development. San Luis Rey MWD's Master Plan contained a proposal to provide water and wastewater services to the planning areas, and indicated that all of those areas could be efficiently served by the future facilities identified in the Master Plan.

With the District not having the legal authority to provide water and sewer service, the sphere expansion, if granted, would be followed with an application to annex the additional sphere territory and authorize the District's water and sewer latent powers. San Luis Rey MWD anticipated service provision throughout the proposed sphere expansion areas except for territory where no service is necessary, such as permanent open space or the majority of the proposed Gregory Canyon Landfill. The landfill site would require water and sewer services only to the administration and maintenance facilities with the actual landfill operations using recycled or non-potable groundwater for dust control and compaction.

However, based on the District's failure to defend the environmental document prepared for the Master Plan and the sphere update, approval of the Master Plan was voided, the Programmatic Environmental Impact Report was decertified, and the MSR/SOI Study was suspended. In a letter, San Luis Rey MWD's Board informed LAFCO that endeavors to activate latent powers for water, wastewater, and recycled water services were to be terminated for the foreseeable future.

Valley Center MWD

Established in 1954, the Valley Center MWD encompasses approximately 64,250 acres (100 sq. miles) in northern San Diego County, north of the City of Escondido. Currently, there are areas in the District's southwestern region where District territory overlaps Escondido. Only the District's northern portion was included in the MSR/SOI Study boundary. Two minor areas located at the District's southern border may fall under the definition of disadvantaged unincorporated communities. The District provides water, sewer, and recycled water services to residential, agricultural, and commercial customers and, as a member agency of the San Diego CWA, resells all of its imported water. Historically, 80-85% of the water is sold for irrigation purposes (avocado and citrus groves, etc.).

Valley Center MWD estimates that, based on the 2000 Census and the number of water meters, the District's population in January 2006 was approximately 24,040. According to SANDAG, the Valley Center Community Plan area had a population increase of 13% from 2000 to 2004, and predicts that the District's population will significantly increase between 2000 and 2030. The District's Urban Water Management Plan projects that the population will double during that timeframe from 22,498 to about 45,000. With its western boundary running along I-15 and SANDAG supporting development in transportation corridors, the District anticipates a transition from a predominantly agricultural area to that of large lot single-family homes with some mixed agricultural usage.

To accommodate increased demand and needed upgrades to the water system, the District completed a Water Master Plan in April 2002. With the expectation of residential growth, the District is forecasting an increase in residential accounts in conjunction with a decrease in agricultural customers. New or expanded infrastructure necessary to serve proposed development will be financed by fees associated with the increased demand for service.

Although having the authority to provide service district-wide, sewer service has been extended to designated areas where residential development has occurred. Most development is concentrated in the District's most westerly portion along the I-15 corridor. Currently, service is provided through the District's three treatment facilities, which are operating within design capacities and consistently meeting discharge standards.

Since 1990, the District has required that, when possible, new development will install facilities necessary to allow the use of reclaimed water. Recycled water already is used in two of the existing wastewater treatment plants. With the commitment to expand recycled water usage, the District is seeking additional reclaimed water customers. This would reduce imported water demands and generate higher returns that would in turn help offset the cost of production and distribution of the recycled water.

The District is governed by a five-member Board of Directors elected by geographic division to serve four-year terms. Elections are conducted each even-numbered year with either two or three seats available in alternating elections. In addition to a history of consistent membership on the board, Valley Center MWD exhibits stability in its workforce with 66 employees led by an experienced general manager, who has been with the District for over 23 years. In addition, the District utilizes contractual arrangements for specific, specialized labor and technical assistance for administrative and operational functions that are sometimes required. General legal counsel, auditing, engineering consulting, and some laboratory services are provided by contract because having in-house staff is not cost-effective. Moreover, to achieve efficiencies and cost savings, the District is involved in several cooperative arrangements.

Revenue is derived from a share of property tax, service fees, connection fees, and investment income; however, the District believes that user charges should finance the costs associated with water and sewer service provision. Operating losses for fiscal years 2005 and 2006 resulting from the property tax shift to the State and lower water sales were offset by transferring monies from the rate stabilization and capital improvement reserve funds. There are two other reserve funds available – an operating reserve established for emergencies and natural disasters, and a restricted reserve consisting of agricultural rebates that can be passed along to customers, or used to cover deficits in the agricultural wholesale allotment. Rate increases over the last several fiscal years have restored a balanced budget, operating and capital reserve levels, and investment in capital replacement programs. The combined Water General Fund and Wastewater Operations annual budget is \$44,105,618.

According to the District, 74% of the water-operating budget is not under its control because the expenses are related to the direct purchase of water and energy costs associated with pumping water through the distribution system. Since the majority of water sold by the District is to agricultural users (67% in FY 2011-2012), water demand is greatly affected by the amount of

precipitation, which makes sales projections difficult. Thus, only 26% of expenses are subject to District control.

In 2003, the Valley Center MWD was one of the agencies involved in the “North County Inland Municipal Service Review and Sphere of Influence Study.” That document concluded that the District exhibited sound management practices and was a well-run, stable, competent, and reliable purveyor of water, sewer, and recycled water resources.

Sphere of Influence

With the exception of two places, Valley Center MWD’s current service area and sphere are identical. Additional sphere territory is located in two separate locations in the District’s southeastern region: one consists of private property where urban services are not currently needed and landowners do not wish to be part of the District; and the other is a portion of the San Pasqual Band of Mission Indian Reservation.

An additional sphere consideration is the Special Study Area designated along the I-15 and Old Highway 395 corridor, which generally runs along Valley Center MWD’s western boundary. This Special Study Area designation was assigned in conjunction with the MSR and sphere update (North County Inland) conducted for the City of Escondido, and the Rincon del Diablo and Valley Center MWDs. Mutual boundaries dividing the Valley Center and Rainbow MWDs, and Vallecitos Water District are delineated by Old Highway 395. Development of the I-15 created a physical barrier because it was constructed with a different configuration than Highway 395 and resulted in a portion of Valley Center MWD territory being located west of the freeway and parcels in Rainbow MWD being on the east side of the interstate. For each District, this represents an impediment to service delivery to the opposite side of the freeway. Accordingly, the Special Study Area designation identified that potential sphere inclusion and exclusion issues should be resolved when the Districts’ spheres were updated.

▪ ANALYSIS

An MSR/SOI Study is intended to review the adequacy of public services within a geographic region rather than an examination of local agencies. Nevertheless, reviewing individual agencies is unavoidable because they are the mechanism for service provision. Several concerns emerged as this MSR/SOI Study proceeded, including fundamental issues specifically related to the provision of water service in San Diego County. Thus, this report focused on water, sewer, and recycled water services provided by the Rainbow, San Luis Rey, and Valley Center MWDs.

Issues

1. *Public Service Provision*

The acreage surrounding the intersection of the I-15 with SR76 has several features to support residential development adjacent to the transportation node created by this interchange. There are, however, certain other factors that represent impediments to the development of that location for residential usage. For example, much of the territory is slated for inclusion in the North

County Multiple Species Conservation Plan and would remain as open space and not be available for other uses. Moreover, areas of designated prime agricultural land, land currently supporting agricultural pursuits, as well as open space areas are scattered throughout the region. LAFCO statutes and local policy specifically mandate the preservation of open space and agricultural lands when possible. Many properties in the San Luis Rey MWD and the proposed sphere expansion area delineated in the Master Plan and the 2006 MSR/SOI Study contain proposed land use designations that are inconsistent with both the General Plan that was in place when the documents were published as well as with the approved General Plan Update.

Another obstacle pertains to the provision of urban level water service. With the San Diego CWA responsible for retailing and distributing imported water in San Diego County, membership is essential to secure a supply of water. Although some of that region is in the Rainbow MWD, which is a member of CWA, several properties are in the San Luis Rey MWD, which is not a member and has no means to procure imported water. Compounding the predicament is a policy that prohibits distribution of CWA water to any property not in a member agency's boundary. Consequently, the execution of any interagency agreements for obtaining water is not an option.

Furthermore, the San Luis Rey MWD was established in 1958 with the sole intent to furnish only groundwater rights protection and legal advocacy for property owners, and thus is not empowered to actually provide water service. When the District was formed, annexation to the San Diego CWA and MET was not pursued because the proponents decided to wait until development warranted securing an imported water supply to augment existing well water resources. Thus, San Luis Rey MWD currently is not a member of either agency because property owners use local groundwater supplies primarily for agricultural purposes.

Over the last few years, the San Luis Rey MWD has received several inquiries regarding the provision of water and wastewater services to developments contemplated both in and adjacent to the District's service area. Consequently, the Directors authorized and completed a Master Plan to address the potential future provision of both water and sewer service. However, if the Board wishes to supplement existing responsibilities with those additional services, an application requesting LAFCO to activate those specific latent powers would be necessary.

Should the District be granted latent powers to become a purveyor of water and sewer service, an entire network of water, sewer, and recycled water distribution pipes and facilities would have to be constructed. In addition to the installation of major infrastructure, water and wastewater service provision requires a full range of staff and experienced employees to manage and administer operations as well as to educate Board members since the Directors currently lack expertise in those fields. Therefore, the Master Plan included a Capital Improvement Plan, which incorporated facility and cost estimates for water, wastewater, and recycled water facilities to ensure that adequate service would be maintained through build out. According to the Master Plan published in November 2005, cost estimates for infrastructure alone ranged between \$163-179 million to cover construction and installation of pipelines, reservoirs, pressure reducing stations, force mains, gravity mains, lift stations, a wastewater treatment plant, etc.

For San Luis Rey MWD to emerge as a purveyor of water, sewer and recycled water service, numerous permits, plans, and massive construction would have to occur in addition to receiving authorization from LAFCO to provide those services. The District also would have to annex all of its territory to both the San Diego CWA and MET and be granted membership in both those entities.

In 2012, annexation to CWA and MET would cost approximately \$22.6 million (CWA = \$2,929/acre; MET = \$4,159/acre; total = \$7,088 per acre for 3,200± acres). It is prudent to note that in February 2006, CWA adopted annexation policies, one of which pertained to annexations to member agencies, as follows:

“Priority shall be given to proposals for annexation to an existing member agency. Addition of territory through annexation of a new member agency shall be discouraged in order to promote efficiency in water supply delivery and governance.” (San Diego County Water Authority Annexation policies, Number 5.)”

The San Luis Rey MWD is surrounded on three sides by the Rainbow and Valley Center MWDs. As previously noted, both of these Districts are members of CWA and MET, have access to imported water, have existing infrastructure, and currently are providing both water and sewer services; Valley Center MWD also is involved with recycled water on a limited basis. With two adjacent water agencies already in the business of providing both water and sewer services in the region, it does not appear logical to initiate those services in a small district that has a population totaling 74 (2000 Census), even if San Luis Rey MWD is anticipating a population surge associated with future development. Several of those potential developments are speculative at this time and have issues related to existing and proposed land use designations as well as future service provision.

It also should be noted that in 1993 the San Diego LAFCO adopted the position that the formation of a new special district should be discouraged in favor of annexation to or consolidation with an existing special district. Although not specifically proposing the formation of a new district, having San Luis Rey MWD designated as a water and sewer service provider would involve the potential authorization of new latent powers and service provision in previously unserved territory. Thus, the Commission’s intent could be reasonably expanded to include encouraging service provision by existing agencies, rather than initiating service provision by an entity not currently providing the desired service(s).

To accommodate the anticipated growth and development in the subject area, actions that support water and sewer provision by Rainbow and Valley Center MWDs would appear logical. Moreover, in 2008, the San Luis Rey MWD adopted two resolutions that terminated, for the foreseeable future, its efforts to activate water, sewer, and recycled water latent powers. Geographically, the San Luis Rey MWD is split into northern and southern sections by the San Luis Rey River. Thus, it might appear logical to divide the territory and place the northern area in Rainbow MWD’s sphere of influence and the southern section into Valley Center MWD’s sphere.

In 2007, the Rainbow MWD Board of Directors adopted a resolution stating that the District did not wish to extend the existing boundary nor expand the existing sphere of influence. The 2006 MSR/SOI Study identified infrastructure deficiencies and governance issues that should be resolved prior to burdening the District with further service responsibility. Thus, at that time, it was not logical to identify Rainbow MWD as the entity best suited to eventually assume service responsibility for that portion of San Luis Rey MWD located north of the river. Significant strides have been made since 2007 to address and resolve the infrastructure deficiencies and governance problems that had plagued the District over the previous years.

Rainbow MWD also has some challenges related to the provision of sewer service to additional territory. In 2006, the District reported reaching capacity during seasonal wet periods, thus leaving the District with two potential alternatives to meeting increased demand – upgrading the Oceanside treatment plant along with the purchase of additional capacity or constructing and operating a new wastewater treatment facility. In 2012, the District stated having additional capacity in excess of 2,600 EDUs available in the wastewater collection system and, consequently, no longer would need to construct a new treatment plant.

At this time, Rainbow MWD has not requested that additional territory be included in its sphere and has not indicated whether service could be extended to the existing special study area. Recently, however, there have been indications that Rainbow MWD may be amenable to expanding its sphere in anticipation of future service provision. Specifically, the District has provided “will-serve letters” to both the Campus Park West and Warner Property projects. In addition, Rainbow MWD has partnered with neighboring Fallbrook PUD in a functional Joint Powers Authority (JPA). Nevertheless, Fallbrook PUD approved a resolution on March 10, 2014 to initiate proceedings with LAFCO to dissolve the Rainbow MWD, annex the former district’s service area, and activate latent sewer powers in that territory. With sewer service authorized throughout Rainbow MWD, activation of latent sewer powers would not change the area where the service already is available. This potential reorganization will be reviewed and analyzed in a future report.

On the other hand, Valley Center MWD has been reliably delivering water and sewer services for nearly six decades, and has consistently proven to be a competent purveyor of those services through compliance with all State and Federal regulations. In addition to having a customer satisfaction rating greater than 95%, the District has distinguished itself by receiving numerous awards of excellence, and recognition in the areas of financial liability and loss control, and energy management by both local and National entities. Minor deficiencies noted in the 2006 MSR/SOI Report included occasional periods of low water pressure at higher elevations during peak usage, especially after prolonged dry spells associated with Santa Ana winds. Valley Center MWD has addressed and is solving this problem through implementation of infrastructure improvements.

Over the years, the Valley Center MWD has built a water conveyance and storage system to distribute imported water to its current 10,000± customers. Approximately 60% of the MWD’s 100 sq. mile service area receives water service with about 67% of that water used for agricultural irrigation. Currently, there are 42 reservoirs, 297 miles of water lines, seven aqueduct connections, and 421 acre feet of water storage capacity. As a member agency of the

San Diego CWA and MET, Valley Center MWD has the authority to use to imported water for distribution, and has storage available for emergency situations by having access to Lake Turner Reservoir (1,612 acre feet). The District also is a signatory to the Countywide Mutual Aid Agreement with other San Diego CWA member agencies, which stipulates that members will assist each other with personnel, equipment, and materials in times of either man-made or natural disasters. The San Diego CWA recommends that member agencies be equipped to accommodate a 10-day temporary interruption of service to allow for maintenance of the aqueduct or an emergency situation. Based on Valley Center MWD's storage capacity and alternate supply reserves, the District has adequate resources to meet this threshold.

Valley Center MWD also provides wastewater collection, transmission, treatment, and effluent disposal service to about 2,800 households. This service comes via two wastewater treatment facilities that the District owns and operates. There were no infrastructure deficiencies associated with the District's wastewater treatment facilities, all of which are meeting design capacities and industry standards.

Moreover, Valley Center MWD has taken a leadership role in the areas of wastewater planning and water reclamation. The District has been instrumental in coordinating planning activities related to sewer treatment in the context of: (1) eliminating duplication of effort; (2) minimizing the number of wastewater treatment facilities serving a given area; and (3) reducing overall facility investment; and (4) providing reasonable access for smaller, individual property owners. Currently, the District provides wastewater treatment and reclamation services for approximately 2,750 customers through two facilities that treat the wastewater for ultimate use as groundwater recharge and spray irrigation on nearby golf courses. The facilities operate within design capacities and consistently meet discharge standards.

To promote water conservation, Valley Center MWD's recycled water efforts started when the Woods Valley Ranch Water Reclamation Facility (WRF) came on line, and provision of reclaimed water to the Woods Valley Ranch Golf Course began in January 2008. Although having capacity of 70,000 gallons per day (gpd), the Woods Valley Ranch WRF currently is treating approximately 40,000 gpd for use on the golf course. The District is planning to have wastewater service delivered from the plant to adjacent residential development and is projecting an ultimate build out capacity of 325,000 gpd. Recycled water generated by the facility would be used for irrigation of the golf course, parks, open space, and landscaping in the developed areas.

Since 1990, the District has required the installation of reclaimed water treatment and disposal facilities for new development, and is committed to expanding recycled water usage for the future. With the anticipated residential growth and demand for service in the area, additional capacity and upgrades to the Moosa facility will be necessary. Valley Center MWD already has plans in place and expects to fund those improvements via a combination of capacity charge revenues currently in place and/or with the use of assessment district financing by specific development in the Moose service area.

The Meadowood Master Planned Community proposes the construction of 355 single-family homes, 164 detached condominiums, and 325 townhomes in addition to a park and recreation

center, an elementary school, commercial and professional office space, open space preserve, and a wastewater treatment facility; approximately 50 acres will be retained for agricultural usage. At this time, the Meadowood property is in the structural fire protection and emergency medical services latent powers area of County Service Area (CSA) No. 135. The development plan requires annexation to the North County Fire Protection District (FPD) so that an adequate level of fire services will be available to the future residents. Concurrent with annexation to the FPD, would be the removal of the development's territory from the fire service (latent powers) zone of CSA No. 135.

Another condition of the development plan's final approval is annexation to secure water and sewer services. Valley Center MWD was identified in the Meadowood development plan as the proposed supplier of water, wastewater, and recycled water. Because the Meadowood Project was not located in a district that could provide water service, the County of San Diego was required by the State Water Code to produce a Water Supply Assessment and Verification Report (WSA) to ensure that adequate water was available to serve the proposed development. As the designated water supplier, the Valley Center MWD was required to review and approve the County's document, which also has been reviewed by LAFCO staff.

The WSA Report noted that the water demand associated with the Meadowood Project had been included in the San Diego CWA's water demand forecasts contained in the 2007 Updated 2005 Urban Water Management Plan. San Diego CWA's subsequent 2010 Urban Water Management Plan also verified that sufficient water would be available over a 20-year planning horizon to meet not only Meadowood's projected demand, but also would have water resources necessary for the construction of other future development in the region in both normal and dry year forecasts. The WSA pertaining to the Meadowood Project was adopted by the Board of Supervisors in January 2012.

Although Meadowood's Specific Plan area is not contiguous to Valley Center MWD, annexation is allowed by provisions in the State's Health and Safety Code as long as the subject agency can provide service. The District has provided "will serve" letters indicating that water and sewer services can be provided to the site. Capacity is available to deliver water service via connection to a San Diego CWA pipeline. An interim wastewater treatment facility will serve the initial development phases while a permanent regional facility is being planned and constructed. All treated effluent will be recycled for other uses that will result in reducing the amount of imported water necessary to serve the development.

Scenarios that have been considered with respect to providing water and sewer service to areas having the potential for future development that are located in and adjacent to the San Luis Rey MWD include:

- Consolidation of San Luis Rey MWD with either Rainbow or Valley Center MWD.

Numerous questions and issues arise when consolidation of San Luis Rey MWD with another agency is contemplated. Both Rainbow and Valley Center MWDs are empowered to provide water and sewer services to residents and are member agencies of the San Diego CWA. According to the San Diego CWA, it is preferable that all territory in a member agency also be in

CWA and MET. Thus, consolidation of San Luis Rey MWD with either Rainbow or Valley Center MWD would mean that all of the former District's service area would potentially be entitled to receive imported water and public sewer service. However, much of the land in the San Luis Rey MWD is primarily agricultural in nature and may never require imported water at an urban level. Annexation to the San Diego CWA and MET is costly and the responsibility for paying annexation fees is unclear. Thus, it would appear unwise to annex territory that may never need water service.

Services San Luis Rey MWD currently provides would either have to be assumed by the successor agency or be abandoned. For the successor agency to assume service provision, latent powers for those services would have to be activated. Since groundwater protection and legal advocacy are not required throughout either the Rainbow or Valley Center MWDs, logically the services would be restricted to only the former San Luis Rey MWD territory. Neither Rainbow nor Valley Center MWDs have expertise in those areas.

Consolidating San Luis Rey MWD with another District should preferably occur with both agencies' support as well as the ability and willingness of the consolidated district to extend service. In the past, the Rainbow MWD Directors specifically opposed any change to the sphere or service area. Additionally, the District was found to have certain deficiencies and problems that needed to be resolved prior to increasing its service responsibility. Valley Center MWD has been providing services since 1958 – services that are expected to continue to be needed in the future. The San Luis Rey MWD Board has expressed opposition to dissolving the District in conjunction with a consolidation or reorganization with another agency.

- Dissolving San Luis Rey MWD with annexation of the former service area to either Rainbow or Valley Center MWD.

Issues similar to consolidation would result if dissolution of the District with subsequent annexation were pursued. Including the former district's service area in CWA and MET would appear unwise since much of the territory will never require urban level services. This scenario also potentially could deprive current residents of the services San Luis Rey MWD currently provides.

- No change

If no changes to the three districts and their spheres are made, some prospective residential developments would be left without a viable source of water and sewer service provision. San Luis Rey MWD does not have the latent powers authorization to engage in activities related to water distribution or wastewater treatment and disposal, and has neither water or sewer infrastructure. In contrast, the District is nearly surrounded by Rainbow and Valley Center MWDs, both of which are authorized to furnish water and sewer services, have existing facilities, and have expertise in those fields. Thus, it would appear reasonable to support jurisdictional changes that would allow the extension of water and sewer services by established entities rather than activating latent powers for those services by a third agency – San Luis Rey MWD.

Valley Center MWD examined the feasibility of providing water and sewer services to land in and adjacent to the San Luis Rey MWD. Experienced staff as well as existing infrastructure is available to support expansion of service provision to additional territory. The District also has contracts with entities that provide engineering, environmental, laboratory, and legal services, and has sound infrastructure, financial stability, and a history of consistency in leadership as well as in the work force. The District noted that the planning and engineering design parameters outlined in the San Luis Rey Master Plan could be utilized to develop infrastructure and extend services to San Luis Rey MWD territory. In addition, Valley Center MWD recently adopted a resolution supporting annexation of the Meadowood Project area and has a service provision plan. Leaving the three districts intact, but changing the spheres of influence could prove to be the remedy for that situation.

2. Spheres of Influence

San Luis Rey MWD

San Luis Rey MWD initially requested an expansion of its sphere to include 3,000± additional acres; approximately one third of which already is in the Rainbow MWD. Later, the Board modified its position and supported a transitional or zero sphere designation in conjunction with including the entire District in the Valley Center MWD's sphere. A transitional or zero sphere of influence is assigned to a special district when an evaluation determines that service provision ultimately should be assumed by another governmental entity. In these cases, it is proper and appropriate to place the district's territory within the potential successor agency's sphere, which then identifies the logical future service purveyor and streamlines future jurisdictional changes. This action would have then identified Valley Center MWD as the service provider for future development in the San Luis Rey MWD's service area. However, the San Luis Rey MWD's General Manager later communicated to LAFCO staff that not only should the transitional/zero sphere designation be rescinded, but also that the District would pursue a plan to provide water to potential development via its groundwater resources.

Water and sewer service can be provided to specified areas in San Luis Rey MWD by either the Rainbow or Valley Center MWDs. Consolidation does not seem to be the best strategy based on issues related to San Diego CWA and MET requirements. Rather than consolidation, one course of action would be to designate a transitional/zero sphere for San Luis Rey MWD and place the District's territory in the spheres for Rainbow and Valley Center MWDs (Map 3).

The results of this strategy would be: (1) San Luis Rey MWD would remain intact and allow the continued provision of the services that the District supplies; (2) phasing future potential reorganizations would be allowed between agencies since jurisdictional changes would be processed as the need for water and sewer service arises (i.e., approval of development plans); and (3) the need to annex agricultural territory or areas of dedicated open space, which may never require urban-level water service, to the San Diego CWA, and MET would be eliminated.

An alternative would be to amend San Luis Rey MWD's sphere to reflect jurisdictional changes associated with approved development plans (Meadowood) as well as those plans currently in the pipeline (Campus Park West, etc.). This would entail removal of those areas from the

existing sphere and placing the territory in another district's sphere. In this case, the Meadowood Project site would be added to Valley Center MWD's sphere with the non-contiguous portion of San Luis Rey MWD included in Rainbow MWD's sphere, and a coterminous sphere retained for the remainder of San Luis Rey MWD (Map 4). Amending the sphere would facilitate the organizational changes necessary for those projects to receive urban level water and sewer services while maintaining the integrity of San Luis Rey MWD's sphere of influence. While San Luis Rey MWD has not opposed the detachment of the Meadowood site from the sphere, the District does object to removing any additional acreage.

In recent correspondence, San Luis Rey MWD asserted that including portions of its service area in any other water district's sphere could be construed as growth-inducing. However, "growth-inducing" generally is characterized as actions engendering growth beyond that which is anticipated. Both SANDAG and the County via the GP2020 have planned for growth in this region. According to page 1-27 of the approved environmental impact report (EIR) that was conducted for the MSR/Sphere Update and the Meadowood Project states, "The Project Site is located in a region that has been planned for development for 30 years." Thus, "The extension of MWD boundaries and SOI determination(s) by LAFCO will address currently unserved areas, but will not have a growth inducing impact because the areas being considered for service are those which have been historically planned for growth." Expanding water and wastewater infrastructure into a previously unserved area may remove an obstacle to growth but, in this region, "... that growth is not unplanned. Therefore, the provision of water and sewer service is not considered growth-inducing."

In addition, San Luis Rey MWD has expressed that sphere changes other than detaching the Meadowood Project site are not appropriate since the District has agricultural importance that LAFCO has the responsibility to protect. San Luis Rey MWD's April 1, 2013 letter claims that designation of a transitional/zero sphere is contrary to LAFCO's Agricultural Lands Policy because doing so would explicitly seek to facilitate conversion and future development of agricultural land. Indeed, if San Luis Rey MWD had a transitional sphere, processing changes of organization associated with development plans in the District's service area would be simplified. However, those jurisdictional changes would be proposed only if development plans were approved by the County, which is the land use authority for unincorporated territory. Since development plans require project-level environmental review, issues related to the potential conversion of agricultural land have to be discussed and addressed in the environmental document. Designation of a transitional sphere for San Luis Rey MWD does not translate into relinquishing preservation of open space and protection of agricultural land in favor of allowing development of those lands. Property located in an agency with a transitional sphere may never be subject to a plan that would include conversion to other uses.

Approximately 209.9 acres of the Meadowood project currently is used for agricultural activities, supporting citrus and avocado groves that occupy lower and mid-portions of ridges and slopes. However, the project site is not within an Agricultural Preserve or Williamson Act Contract. Development plans include retaining approximately 50 acres of agricultural land within a conservation easement. The groves on the land would be maintained by the Meadowood Home Owner's Association. According to the California Agricultural Land Evaluation and Site Assessment (LESA) model, the project's score indicates that it does not represent a significant

agricultural resource. Moreover, the project would not result in a cumulatively considerable contribution to the conversion of significant agricultural resources within the project area.

While the Meadowood development would convert 14.5 acres of Prime Agricultural land (per LAFCO's definition) to non-agricultural uses, this conversion does not appear to represent a significant environmental impact because the project will result in the planned, orderly, and efficient development of the area. As discussed in the Final EIR, the project is located in an area envisioned to support additional development since at least 1983; roadway construction will serve traffic from only the proposed project; the project site is included in the 2007 Update to the San Diego CWA 2005 Urban Water Management Plan; proposed parks are scaled to comply with State and County requirements; and the availability of a new school site would assist the local school district in meeting student enrollment demands. For these and other reasons covered in the environmental document, the project is considered planned, orderly, and efficient development. Thus, the project impacts on agriculture are considered less than significant, according to the Final EIR.

Much of the Meadowood Project site is zoned as residential with some commercial and industrial uses. As mentioned, development plans for the Meadowood Project designate 50± acres that will be retained for agricultural pursuits; approximately 120 additional acres of the ownership already are designated as dedicated open space that will not be subject to development. This open space area will be annexed to the North County Fire Protection District for provision of fire and emergency medical services, but not annexed to a water and sewer service purveyor. The Meadowood Project's EIR notes that the proposed development is consistent with the overall goals and objectives of the General Plan Update (GP2020), and contains only 14.5 acres that meet the LAFCO definition of Prime Agricultural Land. Since 1983, the territory has been earmarked for development based on proximity to the intersection of two freeways (I-15 and SR 76) and existing major infrastructure. SANDAG's Regional Comprehensive Plan Smart Growth Concept Map identified the area where Meadowood is located as a Special Use Center smart growth area.

In addressing LAFCO's comments regarding conversion of agricultural land, the EIR conclusion that the project would promote the planned, orderly, and efficient development of the area takes into consideration the past and present planning context because the region has been planned as a primary location for future growth. Thus, the project is consistent with LAFCO goals and policies, including Legislative Policy L-101 since it is adjacent to projects bringing infrastructure to the area in an orderly and logical manner.

Rainbow MWD

Shortly after the MSR/SOI Update was initiated in 2006, Rainbow MWD's Directors adopted a resolution opposing any change to the District's sphere or service area. Since that time, the District has not formally requested any change to the sphere. However, the District has indirectly advocated expansion of the sphere to support future development by entering into pre-annexation agreements with owners of land located outside the MWD's existing service area. These agreements specify that Rainbow MWD will be the water and sewer service provider to the property.

Rainbow MWD's service area includes an overlap with the City of Oceanside where the District supplies water to a 200-acre agricultural area because the MWD can provide service more efficiently than the City. The area also is in the District's sphere. This arrangement has been in place since the 1960s and no change is proposed.

In addition, property in Fallbrook PUD also is receiving service from Rainbow MWD by contract. Conversely, there is some territory in Rainbow MWD that is served by Fallbrook PUD. The areas subject to contractual agreements consist of only seven small parcels scattered along the two Districts' mutual boundary and are not subject to development plans at this time. While spheres are designed to identify the appropriate service purveyor, the Rainbow MWD and Fallbrook PUD have requested that the spheres remain as currently configured for these properties. Any proposed future development on these parcels may require a reorganization and concurrent sphere amendment whereby the land would be included in the sphere and annexed to the District actually providing service. An alternative to retaining the current sphere for those parcels would be a Special Study Area designation to indicate that a final sphere determination should be made in the future.

Over the past year, the two Districts operated as a JPA, and were exploring the possibility of a future consolidation. However, on March 10, 2014, Fallbrook PUD approved a resolution to initiate a reorganization consisting of dissolution of the Rainbow MWD, annexation of the former District's service area to Fallbrook PUD in conjunction with activation of latent sewer powers in the annexation area. Since Rainbow MWD supplies sewer district-wide, activation of the PUD's latent sewer powers would not result in a change to the area where service was previously provided.

With concurrence of Rainbow MWD's Directors, the western, non-contiguous portion of San Luis Rey MWD where the proposed Campus Park West and other projects are located should be added to Rainbow MWD's sphere. That area is surrounded by District territory and is adjacent to approved developments under construction (Lake Rancho Viejo and Campus Park) that will receive service from Rainbow MWD. Other property owners in that non-contiguous area, including Campus Park West, have executed pre-annexation agreements so that Rainbow MWD would be the water and sewer service provider.

Additionally, consideration should be given to expanding Rainbow MWD's sphere to include: (1) three parcels totaling 96± acres that are located between the northeastern boundary of San Luis Rey MWD and the Rainbow MWD boundary; (2) a small segment of Pala Road located on the southern boundary of the Warner Ranch property; and (3) the Warner Ranch Property. At this time, almost all of this territory is designated for multiple rural uses, and all of the acreage is not in the sphere of any water or sewer service purveyor. Located on the Warner Ranch property is a horse ranch with an estate and guesthouse as well as other houses, barns, arenas, stables, and outbuildings. The landowner is processing development plans that include construction of a residential development, parks, and other uses that require water and sewer services. An agreement has been completed indicating that those services will come from the Rainbow MWD. Please refer to Map 7.

Although adjacent to the Rainbow MWD, the Meadowood Project site is not being considered for inclusion in that District's sphere. Eight years ago, Rainbow MWD signed an agreement to provide water and sewer service to the property. However, that agreement subsequently was rescinded when a new board of directors was elected and a new general manager appointed. When Valley Center MWD consented to provide services upon annexation and verified that capacity was available to do so, development plans were processed with Valley Center MWD designated as the future service provider. The plans were approved by the Board of Supervisors in January 2012. Please refer to Appendix D – Meadowood Project Chronology for additional information.

In 2012, Rainbow MWD staff reviewed LAFCO staff's draft report and responded that retraction of a pre-annexation agreement is not adequate justification to exclude an area from the District's sphere. District staff also remarked that: (1) Rainbow MWD is capable of providing water and sewer services to the Meadowood development; (2) sewer service can be provided without constructing a sewage treatment plant; (3) exclusion from Rainbow's sphere is based upon Valley Center MWD's resolution in support of annexing the Meadowood project; and (4) the District does not oppose annexation of the Meadowood Project to Valley Center MWD.

Valley Center MWD

While the non-contiguous 327-acre western section of the San Luis Rey MWD should be placed in Rainbow MWD's sphere, San Luis Rey MWD's remaining territory (2,900± acres) could be added to Valley Center MWD's sphere. This figure includes the southern portion (234 acres) of the Meadowood Project site. However, the northern part of the site (156 acres) is not in the service area or sphere of any water or sewer service provider. Thus, Valley Center MWD's sphere should be expanded to include this acreage. Furthermore, 1,046 acres located in the southeast portion of the Gregory Canyon Landfill site, which are neither in a water district nor any agency's sphere could be brought into Valley Center MWD's sphere or designated as a Special Study Area (see Map 5).

The Gregory Canyon project proposes the installation of a public landfill and the area has been designated public/semi public lands (solid waste facility). While the entire project footprint encompasses nearly 1,800 acres, approximately 1,300 acres will be dedicated as permanent open space that will preserve sensitive habitat. The property is split into three parts: the northwestern portion is in the Rainbow MWD, the central part is in San Luis Rey MWD, and the southeast 1,046 acres are not in any water district or in any agency's sphere. However, if constructed, the operational component of the landfill with the required apparatus and ancillary buildings will occur in a limited area that is located in the San Luis Rey MWD. The administration and maintenance facilities will require water and sewer services with the remainder of the operations area using recycled or non-potable groundwater for dust control and compaction. Even though the southeastern area is adjacent to Valley Center MWD's northern boundary, the territory is vacant and included in the project's open space element, so the likelihood that this area would ever require water and sewer services is remote. For these reasons, placing a special study area designation appears appropriate at this time. If future development is ever considered, the area would then be evaluated to determine the appropriate agency to provide water and sewer services.

Alternatives for San Luis Rey MWD's sphere include: (1) adopting a transitional/zero sphere while placing the District's non-contiguous area in the Rainbow MWD sphere and the remainder of the District in the Valley Center MWD sphere (Map 3); (2) adding the District's non-contiguous area to Rainbow MWD's sphere, placing the entire Meadowood Project footprint, and the 1,046-acre area adjacent to the Gregory Canyon Landfill site in Valley Center MWD's sphere leaving the remainder of San Luis Rey MWD with a coterminous sphere (Map 4); or (3) adding the District's non-contiguous area to Rainbow MWD's sphere, place all of Meadowood in Valley Center MWD's sphere, designate the area adjacent to the Gregory Canyon Landfill as a Special Study Area, and leave the rest of San Luis Rey MWD with a coterminous sphere (see Map 8).

As previously mentioned, the San Luis Rey River is a natural division that separates San Luis Rey MWD's service area into two segments located north and south of the river. Although geographically distant from the Valley Center MWD, San Luis Rey MWD's northern section could receive service via connection to a San Diego CWA pipeline since Valley Center MWD, as a member agency, has rights to the water conveyed by that system. Also, technological advances have allowed the creation of wastewater treatment plants that are more self-contained and thus do not have to be connected to exterior infrastructure. Therefore, not only does the Valley Center MWD have the ability to provide water, sewer, and recycled water to non-contiguous territory located nearby, but also has indicated a willingness to do so.

San Diego CWA and MET

The spheres of influence adopted for the San Diego CWA and MET correspond to the spheres of all the member agencies. Therefore, amendments also are required for CWA and MET whenever the spheres for the Rainbow and Valley Center MWDs are changed.

3. Special Study Area Resolution

In conjunction with Valley Center MWD's 2003 sphere review, 162 acres located in the I-15/Old Highway 395 corridor were placed in a Special Study Area to be resolved when the Rainbow MWD sphere was updated. Rainbow MWD has indicated that it could provide service more efficiently to that section of Valley Center MWD located on the west side of the I-15. Conversely, the Valley Center MWD can more effectively deliver service to Rainbow MWD territory lying east of the I-15 and north of the District's mutual boundary with Vallecitos Water District (WD). Thus, consideration should be given to adjusting the Rainbow and Valley Center MWDs' spheres to reflect this determination. In addition, that portion of the Special Study Area east of I-15 and in the Vallecitos WD should be placed in Valley Center MWD's sphere to identify it as the appropriate future service provider (refer to Map 6).

4. Terms and Conditions

On April 1, 2013, San Luis Rey MWD submitted terms and conditions pertaining to the proposed detachment of the Meadowood Project site that is in the District's service area, and concurrent exclusion from the sphere of influence. LAFCO staff responded that most of the

requested terms and conditions could not be imposed since they pertain to regulation of land use, are not under LAFCO purview, or are unnecessary because they relate to future activation of latent powers or recognition of property owner's water rights.

In a July 9, 2013 response letter, San Luis Rey MWD reiterated the terms and conditions associated with the District's need to receive financial compensation in order "... to preserve the District's fiscal integrity that would otherwise be adversely affected by the Meadowood Reorganization," and restated that the District was seeking reimbursement for (a) legal and technical expenses, fees, and costs arising from the Meadowood Reorganization totaling \$44,682.08 (as of November 22, 2013); as well as (b) associated property tax and water availability charges for a 30-year time span to offset loss of revenue resulting from the detachment, which according to the District total \$33,469.20 for property tax and \$146,400.00 for the water availability fee. The District calculated the final property tax figure based on receiving \$1,115.64 per year; however, County Property Tax Services reported that the annual amount is \$404.85. Using the County's figure, the loss of property tax actually would total \$12,145.50 over 30 years rather than the amount reported by the San Luis Rey MWD. The District's legal counsel reported that the 30-year time frame is based on the charge having been collected for the last 30 years and the anticipation of collecting the fee for another 30 years. It should be noted that while the District encompasses approximately 3,000 acres, detachment of the Meadowood property consists of about 243 acres.

In the past, LAFCO has imposed reimbursement for expenses associated with a detachment as a term and condition of approval when it has been deemed appropriate. Those circumstances occurred when detachment required the transfer of water or sewer meters and other infrastructure to the annexing district in order to continue provision of service(s). In other words, the detachment had a direct bearing on costs that were incurred. This is not the case with the Meadowood Reorganization since San Luis Rey MWD has no infrastructure and does not deliver water or sewer services.

Once property is detached from a district, the related property tax revenue is shifted to the annexing agency, which then assumes responsibility for service. In specific cases, it may be appropriate to impose a detachment fee if: (1) the original district will continue to provide service to the area even after detachment, such as the case of a fire district that remains the first responder based on mutual aid agreements; or (2) the original district has a contractual obligation involving bonded debt associated with the detaching property, so that imposition of a condition to require reasonably proportional payment to retire that debt would be applicable. However, neither of these conditions pertain to detachment of the Meadowood property since San Luis Rey MWD would no longer have service responsibility and has no bonded indebtedness. The District's terms and conditions concerning loss of property tax revenue appear to suggest that the District would continue providing services to the site, which simply is not the case. Water service concerns will be addressed by the annexing district, which is proposed to be the Valley Center MWD. Detachment fees are designed to compensate an agency either for continued service provision or to retire debt rather than to preserve the financial stability of the detaching agency.

The financial interests of special districts are represented by the County during the procedures implemented to redistribute property tax revenue associated with jurisdictional changes. However, any special district may directly participate in that process by submitting a request to the Board of Supervisors. For example, the North County FPD had direct representation during the property tax negotiations involving the Meadowood Reorganization. San Luis Rey MWD also could have participated in the property tax exchange negotiations, but failed to submit the request to take part in those proceedings. Thus, it appears that the District is attempting to use LAFCO to overcome a process it failed to utilize.

In addition, the request for reimbursement of the water availability charge prompted questions regarding the legality of imposing that charge, and whether the San Luis Rey MWD complied with Proposition 218 statutes regarding collection of the charge. According to Section 71630 of the California Water Code, a water standby assessment or availability charge can be authorized where a district makes water available to users. The Water Code allows a district to levy "... a water standby assessment or availability charges in the district, in any portion of the district, or in any improvement district, to which water is made available by the district, whether the water is actually used or not."

The San Luis Rey MWD has no infrastructure or the legal authority to distribute water to residents in the service area. Since San Luis Rey MWD does not offer water services, the funds collected by this charge are not used for capital expenditures or maintenance and operating expenses associated with water distribution. Instead, the money supports the District's efforts in protecting the source of local groundwater, preserving water quality, and advocating activities to benefit property owners. Property owners utilize privately-owned wells for their water supply. Thus, an issue is whether safeguarding groundwater is an appropriate and lawful use of water standby assessments/water availability charges particularly when property owners have their own wells. LAFCO's legal counsel will be available at the April 7th meeting to discuss this legal issue in further detail.

The fundamental question then becomes what does it mean to make water available? Although the District contends that the standby charge is appropriate since water is available, LAFCO staff disagrees. The District cannot make water available because the District has no infrastructure to either extract or distribute water, and no access to imported or local water resources. Local groundwater is not a District resource – it belongs to individual property owners. However, even more importantly, San Luis Rey MWD does not have the legal authority to provide service since LAFCO has not activated latent powers to do so. A key component of making water available is having the legitimate authority to provide water via latent powers. Absent latent powers to provide water, the District does not meet the criteria required to make water available.

Moreover, the water standby assessment/water availability charge was never approved by voters as required by Proposition 218. Therefore, it appears that the assessment/charge is unlawful in that it violates both the California Water Code and the State Constitution. For these reasons, LAFCO staff believes that the District consider rescinding the water availability charge immediately and reimburse property owners retroactively for the collection of that charge for the maximum time period permitted under State law. LAFCO staff requests that the San Luis Rey MWD implement these recommended actions and report back within five years to the

Commission after approval of the MSR and sphere review. The five-year time frame corresponds to the next MSR/SOI review cycle.

▪ **SPECIAL DISTRICTS ADVISORY COMMITTEE**

On November 15, 2013, the Special Districts Advisory Committee discussed the sphere changes proposed in the Bonsall Pala MSR/SOI Update, and San Luis Rey MWD's requested terms and conditions associated with the "Meadowood Reorganization." After some discussion, Special Districts Advisory Committee members approved the following recommendations concerning the Meadowood Project, and the MSR/SOI Update:

1. The Terms and Conditions requested by the San Luis Rey MWD cannot be imposed by LAFCO.
2. There is insufficient justification for San Luis Rey MWD to receive detachment fees.
3. The Meadowood property should be removed from San Luis Rey MWD's sphere of influence.
4. The non-contiguous portion of San Luis Rey MWD should be removed from the District's sphere and placed in Rainbow MWD's sphere.

▪ **ENVIRONMENTAL REVIEW**

Municipal Service Review

The information contained in the MSR pertains to growth and population projections for the subject area; identification of disadvantaged unincorporated communities; infrastructure needs and deficiencies; financing constraints and opportunities; opportunities for cost avoidance, rate restructuring, and shared facilities; government structure options, including advantages and disadvantages of consolidation or reorganization of service providers; evaluation of management efficiencies; and local accountability and governance. Since the MSR consists of basic data collection, research, and evaluation activities, no disturbances to any environmental resources will result. Thus, pursuant to the San Diego LAFCO's Administrative Procedures for implementation of the California Environmental Quality Act (CEQA), the MSR covering the Bonsall and Pala Hydrologic Sub Areas is exempt from the environmental impact evaluation process.

Sphere of Influence Review

As mentioned, the LAFCO Report contains updated information and is to be considered in conjunction with the "Municipal Service Review and Sphere of Influence Update: Study of Sewer, Water, and Recycled Water Services in the Bonsall and Pala Hydrologic Subareas of the San Luis Rey River Watershed" that was published in October 2006. Spheres of influence are subject to the provisions of CEQA; the environmental review pertaining to the recommended

sphere of influence actions is contained in the Environmental Impact Report covering the Meadowood Master Planned Community Project.

The County Board of Supervisors adopted a Final EIR covering the Meadowood Reorganization and associated sphere of influence review. According to that document, the proposed development project will be phased over several years. Phasing would be coordinated with the availability of water, sewer, fire protection, and school services. The primary goal of the project is to accommodate housing demand based on projected population increases while retaining the existing rural atmosphere in the area. Overall, the project was approved based on the goal of balancing population and housing needs with open space, agricultural land use, and the development of infrastructure in the community. A CD of the complete EIR is enclosed for the Commission and also can be downloaded from the LAFCO website. In addition, a summary of the conclusions reached in the Final EIR pertinent to LAFCO follows.

Land Use Plans

Adoption of the associated general plan amendment by the County to accommodate the proposed project rendered the project consistent with county General Plan regional land use categories and land use goals. The project site was re-designated as a Current Urban Development Area and henceforth considered urban land, upon which residential land use and densities would be appropriate. Accordingly, impacts associated with inconsistency with the General Plan were determined to be less than significant.

Transportation Corridors

A detailed assessment of the consistency of the project with goals and polices of the I-15 Corridor Subregional Plan and I-15/SR 76 Interchanges Master Specific Plan were conducted. The Final EIR concluded that impacts were less than significant because the project conforms to the I-15 Corridor Subregional Plan, Scenic Preservation Guidelines, and the Master Specific Plan for the I-15/SR-76 Interchanges.

Resource Protection Ordinance (RPO)

The project does not include any alteration to the San Luis Rey River floodway and has been designed to the greatest extent possible to preserve steep slopes, sensitive habitat, and cultural resources. The project will preserve 164.1 acres of a total 180.3 acres (91 percent) of on-site RPO steep slopes. In addition, project design avoids sensitive habitat and preserves 122.4 acres of sensitive habitat in open space. As such, impacts associated with the RPO would be less than significant.

Community Impacts

The existing community of Fallbrook is located west of Meadowood and is physically separated from it by I-15. The project has been modified and now entails the development of a maximum of 844 single-family and multi-family dwellings where four houses currently exist. No residents

would be displaced during the construction phase. Because there is no established community within the project site, no environmental impact would occur to established communities.

Public Services

Schools

The project will generate approximately 355 elementary students and 132 high school students; “will serve” letters from both the Bonsall Union Elementary School District and the Fallbrook Union Elementary School District were submitted. Included in the development plan is a 12.7-acre site where an elementary school within the Bonsall Union Elementary School District will be constructed. Impacts to school services are considered to be less than significant.

Fire Protection and Law Enforcement

The North County FPD will provide service to the property, which is adjacent to the District boundary. The FPD has submitted a “will serve” letter and detailed fire protection development standards. These standards have been incorporated into the project as design measures and implementing permits. According to the County Fire Marshall, the furthest dwelling unit from the North County FPD’s station on Pala Mesa Drive and Old Highway 395 is about five minutes. Associated fire protection services and response time impacts are less than significant.

The County Sheriff’s Department has indicated that no new facilities or expansion of existing facilities would be required if the project is completed. As such the project will not result in substantial adverse physical impacts associated with the provision of new or physically altered facilities and law enforcement impacts would therefore be less than significant.

Water

The Meadowood project area will require annexation into the Valley Center MWD, the San Diego CWA, and MET. Both CWA and MET have given conditional approval to the related annexations. The San Diego CWA included the water demands forecasted for the proposed project in the 2007 Urban Water Management Plan, which found that the projected potable water supply will meet the projected potable water demand of 715,450 acre-feet per year in 2010 to 829,030 acre-feet per year in 2030. Based on dry year forecasts, the water supply will also meet projected water demands. Furthermore, the project will use recycled water for on-site irrigation, as a means of reducing the need for imported water.

Pursuant to the State Water Code, a Water Supply Assessment and Verification Report (WSA) was prepared. The study concluded that sufficient water is available to serve this project as well as other planned projects in the County Water Authority’s service area over the next 20 years during normal, dry year, and multiple dry year conditions. This finding was based on the availability of imported water and the project applicant’s commitment to maintain water conservation measures, specifically the provision of water supply offsets. The project includes a wastewater treatment plant and recycled water production and distribution facilities for irrigation of landscaping, parks, school playing fields, and the retained groves, thereby reducing the need

for imported water. Wastewater will be treated to recycled water quality standards at the treatment plant, which includes a conveyance pump with a transmission pipeline, storage tank, and distribution pipelines. Groundwater will be used as a secondary source of irrigation for common area landscaping and groves retained in agricultural usage during drier and hotter periods of the year. According to the WSA, specific offset program(s) will be finalized after approval of the Meadowood Project. Therefore, the Valley Center MWD did not incorporate offsets in the District's requested terms and conditions.

Wastewater

The project will generate approximately 0.225 mgd of wastewater. This flow is based on a wastewater generation estimate of 250 gallons per day per EDU. The wastewater generated by the project is in compliance with County of San Diego General Plan Public Facility Element Policies 1.2 and 1.3. These policies require a reasonable expectation that wastewater treatment and disposal will be available. Because the Wastewater Treatment Plant meets current estimated wastewater generation and conforms to relevant policies, impacts associated with wastewater generation and treatment would be less than significant.

Agricultural Resources

The project site is not within an Agricultural Preserve or Williamson Act Contract. Approximately 209.9 acres of the project site is currently used for agricultural activities, including citrus and avocado groves. About 50 acres will be retained for agricultural activities within a conservation area. The Meadowood Home Owner's Association will maintain the groves. The project does not represent a significant agricultural resource based on the LESA model score, and would not result in a cumulatively considerable contribution to the conversion of significant agricultural resources within the project area.

As previously reported, the project would convert 14.5 acres of Prime Agricultural land (per LAFCO's definition) to non-agricultural uses. However, this conversion has not been deemed to represent a significant environmental impact because the project will result in the planned, orderly, and efficient development of the area. The project is located in an area that has been planned for development for the last thirty years; roadway construction will serve traffic from only the proposed project; the project site is included in the 2007 Update to the CWA 2005 Urban Water Management Plan; proposed parks are scaled to comply with State and County requirements; and the availability of a new school site would assist the local school district in meeting student enrollment demands. Thus, the project is considered as planned, orderly, and efficient development having less than significant impacts on agriculture.

Growth Induction

An extensive growth induction section was included in the Final EIR. With respect to public facilities, the conclusion was reached that growth inducing impacts will be avoided because the proposed infrastructure will be sized to serve only the project. In terms of other potential growth inducing impacts, Final EIR concluded that the proposed project will not result in growth inducing effects for the following reasons:

1. The proposed project is located in an area envisioned to support additional development as identified by the SANDAG Smart Growth Concept Map, the I-15 Corridor Subregional Plan, the I-15/Highway 76 Master Plan, and the County of San Diego's General Plan Update.
2. The additional housing is proposed in an area planned to support residential and commercial development.
3. Roadway construction will serve traffic from only the proposed project.
4. The area has anticipated growth since at least 1983 and is included in the 2007 Update to the CWA 2005 Urban Water Management Plan.
5. The proposed parks are scaled to comply with State and County requirements.
6. The availability of a new school site would assist the local school district in meeting student enrollment demands.

Unmitigated Environmental Impacts

Mitigation measures were adopted for most impacts that will bring them to a level of insignificance. Complete lists of specific mitigation measures and design requirements are contained in the Final EIR. However, mitigation was not feasible for: (1) temporary, short-term adverse visual impacts related to project construction; (2) cumulative impacts related to overall changes in views from surrounding areas; (3) traffic/transportation impacts to segments of SR 76; and (4) air quality both during and after project construction.

Visual Impacts

Visual impacts during construction will occur due to removal of vegetation and introduction of visually dominant elements like cut or fill slopes, construction fencing and equipment, as well as materials stockpiling and storage. Design measures, including site plans, building setbacks, architecture, and landscape design, have been incorporated into the proposed Meadowood Project that would reduce the direct visual impacts to a less-than-significant level. However, overall development in the region would result in a significant cumulative impact with no feasible mitigation available to reduce the cumulative effect on visual character. Nevertheless, this project will allow the County to address some current and projected challenges related to increasing population that requires affordable housing and diversity of housing types. This area has been targeted in the General Plan Update as a region that could satisfy that need. The result is that multiple projects are proposed for development that will change the existing visual character from rural land usage to urban land usage. Even though each project will provide measures to reduce visual impacts, the cumulative visual change in the region is unavoidable. A Statement of Overriding Considerations was adopted to address this and other significant and unmitigated impacts.

Traffic/Transportation

Caltrans has adopted changes and/or alterations to address traffic/transportation impacts along both I-15 and SR 76 that were identified in the Traffic Impact Study. Widening roads, installing signal lights, and constructing turning lanes will enhance traffic flow in the Meadowood Project area. However, given the magnitude and on-going nature of potential development in this region, additional improvements would require regional highway planning that is outside the County's jurisdiction to implement. Other proposed development projects in the area may submit measures that would alleviate traffic impacts, but those have not yet been approved. Thus, leaving traffic as an unmitigated impact requiring adoption of overriding considerations.

Air Quality

Project design considerations such as sidewalks, internal trails, and paved bicycle paths will promote walking, bicycle riding, and horseback riding as alternative forms of transportation, which should reduce traffic and associated emissions. Certain emissions remain significant and unmitigable based on an air quality model – it should be noted that this model does not include anticipated reductions to air emissions resulting from recent regulations on motor vehicles. While regulations on future motor vehicles would further reduce emissions, that reduction cannot be quantified at this time leaving no feasible mitigation to diminish the significant impact associated with operational emissions.

Overriding Considerations:

A lead agency may approve a project that could result in the occurrence of identified significant effects that cannot be avoided or substantially lessened. However, the agency must provide a written statement containing the specific reasons to support the action based on the Final EIR and/or other information in the record. The Board of Supervisors adopted a Statement of Overriding Considerations for the unavoidable significant effects by finding that they are acceptable due to each of the specific economic, legal, social, technological, or other overriding benefits that will result from approval and implementation of the projects (Exhibit 1).

▪ SUMMARY

MSRs and spheres of influence are used to guide the decision-making process when determining how municipal services can be efficiently provided. This is a critical consideration in light of increased pressure to provide housing and other supporting services for the unprecedented population growth anticipated in California. San Diego County government together with SANDAG has adopted approaches that plan for development along transportation corridors and within transit nodes. Thus, the intersection of I-15 with SR 76 has become a focal point of these plans, especially since Rainbow, San Luis Rey, and Valley Center MWDs are located in the area.

Issues have arisen because only Rainbow and Valley Center MWDs are authorized to provide both water and sewer services. At one time, San Luis Rey MWD had anticipated becoming an urban level purveyor of both water and sewer service. However, numerous obstacles ultimately convinced the District Board to abandon that plan. Nevertheless, San Luis Rey MWD continues

to function as the guardian of local groundwater resources and plays an advocacy role in support of property owners' water rights.

Over the years, Rainbow MWD has solved many of the problems that came to light during the initial stage of the MSR/SOI Study in 2006. In 2012, the District indirectly expressed its desire to expand the sphere in anticipation of annexing additional territory by executing a pre-annexation agreement with the Campus Park West property owners, and signing water and sewer availability letters for Campus Park West and Warner Ranch. These actions indicate willingness to support proposed developments in the I-15 corridor.

Valley Center MWD not only has expressed a desire to expand its sphere and service area, but also is supporting annexation of the Meadowood Project property. The District initiated the reorganization by adopting resolutions, gathering necessary supporting documents, and overseeing the application process.

For these reasons, the following actions regarding the spheres for Rainbow, San Luis Rey, and Valley Center MWDs should be considered.

For the San Luis Rey MWD sphere, the Commission should opt for one of these choices:

OPTION 1: Adopt a transitional/zero sphere for San Luis Rey MWD as shown on Map 3; and

Include the 327-acre non-contiguous portion of San Luis Rey MWD, the Warner Property, the segment of Pala Road adjacent to the Warner Property, as well as three areas located north of the San Luis Rey MWD and south of Rainbow MWD that are not in either agency's sphere in the Rainbow MWD sphere; and

Expand Valley Center MWD's sphere to add San Luis Rey MWD's remaining territory (2,900± acres), the northern portion (156 acres) of the Meadowood Project site, as well as 1,046 acres located in the southeast of the Gregory Canyon Landfill site, which are neither in a water district nor any agency's sphere or designate that portion of the Gregory Canyon Landfill site as a Special Study Area.

OPTION 2: Adopt a coterminous sphere for the remainder of San Luis Rey MWD as shown on Map 4; after

Excluding the Meadowood Project site by placing the territory in Valley Center MWD's sphere, and exclude the non-contiguous 327-acre portion of San Luis Rey MWD from the existing sphere and include that area in Rainbow MWD's sphere; and

Placing a Special Study Area designation on the 1,046 acres located in the southeast part of the Gregory Canyon Landfill site, which are neither in a water district nor any agency's sphere

The Commission also should resolve the Rainbow and Valley Center MWDs' Special Study Area in the I-15 corridor as shown on Map 6.

▪ CONCLUSIONS

At the center of the geographic region under review is an area that has been planned for residential development over the last 30 or more years because it is located in a transportation corridor and characterized as a transit node by virtue of the intersection of I-15 with SR 76. Two important factors come into play when reviewing issues and service provision needs in this area: (1) the San Luis Rey MWD does not provide water or sewer service at this time, nor has the lawful authorization to provide those services; and (2) over the last several years, the Rainbow MWD has shifted its position regarding its willingness to expand service delivery to adjacent territory. While both Rainbow and Valley Center MWDs are in the water and sewer business, consolidating San Luis Rey MWD with either entity does not appear to be a desirable solution. Both agencies are members of the San Diego CWA. Consolidation of San Luis Rey MWD with either Rainbow or Valley Center MWD would entail annexing San Luis Rey MWD's service area to the San Diego CWA and MET. This would appear pointless because most of that area will continue in agricultural usage.

Water and sewer services in areas proposed for residential development should be from Rainbow and Valley Center MWDs because they are established providers of both services. Valley Center MWD in particular has a solid track record and has assumed a leadership role in the area of water recycling. Additionally, Rainbow MWD has made significant strides in overcoming deficiencies in both infrastructure and governance/management issues that were identified in 2006. San Luis Rey MWD lacks financial resources, expertise, and latent powers for service provision in order to initiate a massive undertaking such as becoming an urban level water and sewer service provider. Furthermore, in 2008, the District adopted resolutions stating that it was not, for the foreseeable future, seeking activation of latent powers.

The majority of San Luis Rey MWD's service area is located to the east of the I-15/SR 76 intersection/transit node beyond the ½ mile corridor and thus is not zoned for residential type development. In addition, much of that territory remains in agricultural usage and open space. The District does serve property owners by monitoring activities that impact the river, which runs through the area as well as providing advocacy for property owners' water rights. These are services that are not provided by another local agency. A transitional sphere indicates that services should, in the future, be transferred to another service provider. However, in this case, there is no other entity in the vicinity that could assume these services.

Legal research has determined that the water standby/availability assessment charged by the San Luis Rey MWD is unlawful. Even though LAFCO staff believes that the charge be terminated, we also support the continuation of the District's role as an advocate for water rights. Leaving the San Luis Rey MWD with a coterminous sphere after removing areas where development plans either have been approved (Meadowood) or are pending (non-contiguous San Luis Rey MWD territory) appears to be the preferred option. Having a coterminous sphere once development related areas are removed has merit because there is no successor agency, and the District can continue to advocate property owners' water rights and assist in preserving the quality of the groundwater resources that support agricultural activities in the region. For these reasons, it is recommended that Option 2 be selected: removal of the development related areas

from the San Luis Rey MWD's current sphere and adopt a coterminous sphere for the remainder of the District (refer to Map 4).

Based on recently prepared "will serve" letter and pre-annexation agreements, the sphere for the Rainbow MWD should be expanded to include the non-contiguous western portion of the San Luis Rey MWD as well as the Warner Property, and sphere adjustments associated with resolution of the I-15 corridor Special Study Area. In addition, the three parcels and nearby roadway that are not in any agency's sphere should be added to Rainbow MWD's sphere to indicate that it is the preferred provider if service is ever necessary (see Map 7).

The Valley Center MWD was identified in the County's Water Supply Assessment and Verification Report as the preferred water provider for the Meadowood Project. The District has stated that adequate water resources are available for the development. In addition, Valley Center MWD has capacity to supply sewer service and will promote recycled water usage in the project area. Thus, Valley Center MWD's sphere should be extended to include the entire Meadowood Project footprint, the changes recommended for the I-15 corridor Special Study Area, and a Special Study Area designation should be placed on that portion of the Gregory Canyon Landfill site that is not in any MWD or district sphere (see Map 8).

▪ RECOMMENDATIONS

The accompanying document (*Municipal Service Review and Sphere of Influence Update: Study of Sewer, Water, and Recycled Water Services in the Bonsall and Pala Hydrologic Subareas of the San Luis Rey River Watershed*) contains the data analysis gathered in 2006 and presents the nine determinations originally specified by the Cortese/ Knox/Hertzberg Act. The current MSR Determinations differ and have been included as Attachments A-C. The written Statements of Determinations that pertain to the sphere updates proposed for the three agencies under review are identified as Exhibits A-C. Based on the information evaluated in the MSR/SOI Update for the Bonsall and Pala Hydrologic Subareas, it is

RECOMMENDED: That the Commission

- (1) Find, in accordance with the Executive Officer's determination, that pursuant to Section 15306 of the State CEQA Guidelines, the municipal service review is not subject to the environmental impact evaluation process because the service review consists of basic data collection and research that will not result in a disturbance to an environmental resource;
- (2) Certify, pursuant to Section 15091 of the State CEQA Guidelines, that the Commission has reviewed and considered the attached EIR. The mitigation measures approved by the Board of Supervisors for the impacts identified in the attached EIR have been adopted by the County of San Diego, and that the mitigation is under the jurisdiction of the County and not LAFCO because the affected resources and the extension of public services will continue to be the responsibility of the County and special districts since the subject territory will remain unincorporated;

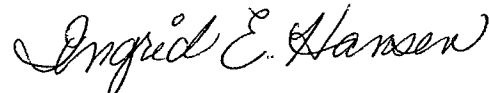
- (3) Adopt, pursuant to Section 15096(h) of the State CEQA Guidelines, the Findings of Fact and Statement of Overriding Considerations previously adopted by the County of San Diego as lead agency, as shown in Exhibit 1;
- (4) Find, in accordance with the Executive Officer's determination, that pursuant to Section 15061(b)(3) of the State CEQA Guidelines removing the Special Study Area designation and adjusting the Rainbow MWD, Valley Center MWD, and Vallecitos WD spheres not subject to the environmental impact evaluation process because it can be seen with certainty that there is no possibility for the proposed project to significantly impact the environment, and the activity is not subject to CEQA;
- (5) Find that the reorganization is in compliance with LAFCO Policy L-101 in that the project would promote the planned, orderly, efficient development of the property based on conclusions reached in the environmental document because adjacent projects are bringing infrastructure to the area;
- (6) Accept the proposed Supplemental Municipal Service Review and Sphere of Influence Review for the Bonsall and Pala Hydrologic Subareas, and adopt the required Determinations as outlined in the document and also included as Attachments A-C;
- (7) Amend the Rainbow MWD sphere as shown on Map 7 to include the non-contiguous portion of the San Luis Rey MWD, the Warner Property, the segment of Pala Road adjacent to the Warner Property, as well as three areas located north of San Luis Rey MWD and south of Rainbow MWD in the Rainbow MWD sphere as well as changes consistent with resolution of the I-15 Special Study Area, and adopt the written Statement of Determinations as proposed in Exhibit A, attached hereto;
- (8) Amend the sphere of influence for the San Luis Rey MWD as presented in Option 2 to exclude the District's non-contiguous territory and the Meadowood Project site from the sphere and adopt a coterminous sphere for the remainder of the District as shown on Map 5, and adopt the written Statement of Determinations as proposed in Exhibit B, attached hereto;
- (9) Amend the Valley Center MWD to include the entire Meadowood Project site as well as changes consistent with resolution of the I-15 Special Study Area, as shown on Map 8, and adopt the written Statement of Determinations as proposed in Exhibit C, attached hereto;
- (10) Remove the Special Study Area designation and make the following changes as shown on Map 6 by:
 - (a) Placing Rainbow MWD territory located east of I-15 in the Valley Center MWD sphere;
 - (b) Including Valley Center MWD territory located west of I-15 in the Rainbow MWD sphere; and

- (c) Adding Vallecitos WD's territory located east of I-15 into Valley Center MWD's sphere;
- (11) Direct the San Luis Rey MWD to consider rescinding the standby assessment/ water availability charge immediately and reimburse property owners retroactively for the maximum time period authorized under State Law, and report back with the results within five years after LAFCO approval of this MSR/Sphere Review; and
- (12) For the reasons set forth in this report, adopt the form of resolution approving this Municipal Service Review and Sphere of Influence Study for the Bonsall and Pala Hydrologic Subareas.

Respectfully Submitted,



MICHAEL D. OTT
Executive Officer



INGRID E. HANSEN
Chief, Governmental Services

MDO:IEH:



**COUNTY OF SAN DIEGO
BOARD OF SUPERVISORS
JANUARY 9-11, 2012**

MINUTE ORDER NO. 3

**SUBJECT: NOTICED PUBLIC HEARING:
MEADOWOOD MASTER PLANNED COMMUNITY; FALLBROOK
COMMUNITY PLAN AREA (DISTRICT: 5)**

OVERVIEW:

The Meadowood Master Planned Community is a 389-acre project with an overall density of 2.3 dwelling units per acre that consists of 844 single and multi-family residences, public and private active and passive recreational facilities, open space preserve areas, a wastewater treatment plant and new public roadways to serve the project. Applications to be considered by the County decision-makers include a General Plan Amendment, Specific Plan, a Zone Reclassification, Vesting Tentative Map, a Major Use Permit, and three Site Plans. Additional actions required are the adoption of a Water Supply Assessment and Verification Report and a Statement of Reasons to extinguish access to mineral resources of statewide significance.

The project site is located in the northeast quadrant of the SR-76 and I-15 Interchange, within the Fallbrook Community Plan area, County of San Diego (2008 Thomas Guide Page 1028, J-6, 7 and 1029, A-5-7).

The project case numbers are: 3810-04-001 (SP); 3800 04-002 (GPA); 3600 04-004 (R); 3100 5354 RPL⁴ (VTM); 3500 04-005 (VSTP); 3500 04-006 (STP); 3500 04-007 (STP); 3300 08-023 (MUP); 3910 04-02-004 (ER); SCH No. 2004051028.

FISCAL IMPACT:

N/A

BUSINESS IMPACT STATEMENT:

The residential development would generate jobs related to the design and construction of the project site.

RECOMMENDATION:

PLANNING COMMISSION

The Planning Commission made the following recommendations to the Board of Supervisors:

1. Adopt the Environmental Findings included in Attachment J.
2. Adopt the Water Supply Assessment and Verification Report (WSA) which finds there is an adequate supply of imported water to serve the project as required by the State Water Code, Sections 10910-12. (Appendix N-2 of EIR)

3. Adopt the Statement of Reasons to permit the proposed use and extinguish access to mineral resources of statewide significance as required by the State Public Resources Code, Sections 2762 and 2763 of the California Surface Mining and Reclamation Act. (Attachment Q)
4. Adopt the Resolution approving GENERAL PLAN AMENDMENT GP04-002. (Attachment B) for the reasons stated therein and discussed in this report.
5. Adopt the Resolution approving SPECIFIC PLAN SP 04-001 (Attachment C) for the reasons stated therein and discussed in this report.
6. Adopt the Ordinance entitled:

AN ORDINANCE CHANGING THE ZONING CLASSIFICATION OF CERTAIN PROPERTY IN THE FALLBROOK COMMUNITY PLAN AREA, REF: R 04-004. (Attachment D)
7. Grant Major Use Permit P08-023 and impose the requirements and conditions set forth in the Major Use Permit Form of Decision. (Attachment I)
8. Adopt the Resolution approving VESTING TENTATIVE MAP 5354RPL⁴, which includes those requirements and conditions necessary to ensure that the project is implemented in a manner consistent with State Law and County of San Diego Regulations. (Attachment E)
9. Grant Vesting Site Plan Permit S04-005 and impose the requirements and conditions set forth in the Vesting Site Plan Form of Decision. (Attachment F)
10. Grant "V"-Setback Site Plan Permit S04-006 and impose the requirements and conditions set forth in the Site Plan Form of Decision. (Attachment G)
11. Grant "B"-Designator Site Plan Permit S04-007 and impose the requirements and conditions set forth in the Site Plan Form of Decision. (Attachment H)

DEPARTMENT OF PLANNING AND LAND USE |

The Department of Planning and Land Use concurs with the Planning Commission's recommendation (including the Commission's October 7, 2011, recommendations below) and recommends that the Board of Supervisors require Pardee Homes to enter into an agreement to defend and indemnify the County, as specified in San Diego County Code Section 86.201, et seq. In accordance with Section 86.202, Pardee Homes shall provide security at the time of project approval in the amount of \$250,000.00, in the form of an irrevocable letter of credit or bond, in a form acceptable to County Counsel.

NOTE: The Board took action on this item on Wednesday, January 11, 2012.

3.1 ACTION:

ON MOTION of Supervisor Horn, seconded by Supervisor Jacob, the Board closed the Hearing and took action as recommended, adopting Resolution No. 12-003, entitled: A RESOLUTION OF THE SAN DIEGO COUNTY BOARD OF SUPERVISORS ADOPTING GENERAL PLAN AMENDMENT (GPA) 04-002; Resolution No. 12-004 entitled: RESOLUTION OF THE SAN DIEGO COUNTY BOARD OF SUPERVISORS APPROVING SPECIFIC PLAN SP04-001 MEADOWOOD SPECIFIC PLAN; Resolution No. 12-005 entitled: RESOLUTION OF SAN DIEGO COUNTY CONDITIONALLY APPROVING VESTING TENTATIVE MAP NO. 5354RPL⁴ (VTM); adopting Ordinance No. 10196 (N.S.) entitled: AN ORDINANCE CHANGING THE ZONING CLASSIFICATION OF CERTAIN PROPERTY IN THE FALLBROOK COMMUNITY PLAN AREA REF: R 04-004; and directing the Chief Administrative Officer to add a requirement that the applicant extend the timeframe to six years for the Valley Center School District to acquire property to develop a school.

AYES: Cox, Jacob, Slater-Price, Roberts, Horn

3.2 ACTION:

ON MOTION of Supervisor Cox, seconded by Supervisor Jacob, the Board directed the Chief Administrative Officer to work with representatives from the Meadowood Master Planned Community, developers of Campus Park Project, the Campus Park West, Palomar Community College, and representatives from applicable Native American tribes to find a suitable and acceptable site to accommodate the re-internment of Native American remains.

AYES: Cox, Jacob, Slater-Price, Roberts, Horn

State of California)
County of San Diego) §

I hereby certify that the foregoing is a full, true and correct copy of the original entered in the Minutes of the Board of Supervisors.

THOMAS J. PASTUSZKA
Clerk of the Board of Supervisors

By *Andrew Potter*
Andrew Potter, Chief Deputy



Resolution No. 12-003
Meeting date: 1/09/12 (3.1)

NOTE: The Board took action on this item on Wednesday, January 11, 2012.

**A RESOLUTION OF THE SAN DIEGO COUNTY
BOARD OF SUPERVISORS ADOPTING)
GENERAL PLAN AMENDMENT (GPA) 04-002)**

WHEREAS, pursuant to Government Code Sections 65350 et seq., and Board of Supervisors' Policy I-63, General Plan Amendment and Zoning Implementation Guidelines, GPA 04-002 has been prepared, being the first amendment to the Regional Land Use Element Map of the County General Plan, in the Calendar Year 2012; and

WHEREAS, GPA 04-002 has been filed by Pardee Homes consisting of an amendment to the Regional Land Use Element and Fallbrook Community Plan; and

WHEREAS, pursuant to Government Code Sections 65860 et seq., associated zoning reclassifications have been prepared together with GPA 04-002; and

WHEREAS, the Planning Commission has made its detailed recommendations concerning the above item; and

WHEREAS, the Planning Commission recommends that the Board of Supervisors review and consider the information contained in the Environmental Impact Report (EIR), dated January 11, 2012, on file with the Department of Planning and Land Use, as Environmental Review Number 04-02-004, prior to making its recommendation on the project; and;

WHEREAS, on August 12, 2011 and October 7, 2011, the Planning Commission, pursuant to Government Code Sections 65351 and 65353 held a duly advertised public hearing on GPA 04-002; and

WHEREAS, on January 11, 2012, the Board of Supervisors, pursuant to Government Code Section 65355 held a duly advertised public hearing on GPA 04-002.

NOW THEREFORE BE IT RESOLVED that the Board of Supervisors takes the following actions:

1. Determines and finds that the project complies with the California Environmental Quality Act, the County of San Diego Resource Protection Ordinance, the State Mining Reclamation Act, and the Watershed Protection, Stormwater Management, and Discharge Control Ordinance.
2. Approve GPA 12-001 for application number GPA04-002, which consists of an amendment to the Regional Land Use Element Map, as shown attached hereto, on Exhibit "A."

January 11, 2012

3. Approve GPA 12-001 for application number GPA04-002, which consists of a text amendment to the Fallbrook Community Plan, as shown attached hereto, on Exhibit "B."

BE IT FURTHER RESOLVED that the amended documents shall be endorsed in the manner provided by the Board of Supervisors.

BE IT FURTHER RESOLVED that this Resolution shall take effect and be in force from and after 30 days after its adoption.

ON MOTION of Supervisor Horn, seconded by Supervisor Jacob, the above Resolution was passed and adopted by the Board of Supervisors, County of San Diego, State of California, on this 9th day of January, 2012, by the following vote:

AYES: Cox, Jacob, Slater-Price, Roberts, Horn

STATE OF CALIFORNIA)
County of San Diego)^{SS}

I hereby certify that the foregoing is a full, true and correct copy of the Original Resolution entered in the Minutes of the Board of Supervisors.

THOMAS J. PASTUSZKA
Clerk of the Board of Supervisors

By: *Catherine Santos*
Catherine Santos, Deputy



Resolution No. 12-003
Meeting date: 1/09/12 (3.1)

ENVIRONMENTAL FINDINGS
MEADOWOOD MASTER PLANNED COMMUNITY
GPA04-002; SP04-001; R04-004; TM5354RPL⁴; S04-005, S04-006, S04-007; P08-023;
and Log No. ER 04-02-004;
SCH #2004051028

1. Find that the Planning Commission has reviewed and considered the Environmental Impact Report (EIR) for the proposed project dated August 12, 2011, on file with the Department of Planning and Land Use as Environmental Review Number 04-02-004, before making its recommendation on the project.
2. Certify that the Environmental Impact Report (EIR) dated January 11, 2012, on file with the Department of Planning and Land Use as Environmental Review Number 04-02-004, has been completed in compliance with CEQA and the State CEQA Guidelines, that the Board of Supervisors reviewed and considered the information contained therein before and approved the project, and that the EIR reflects the independent judgment and analysis of the Board of Supervisors.
3. Adopt the findings concerning mitigation of significant environmental effects pursuant to State CEQA Guidelines Section 15091. (Attachment K)
4. Adopt the Decision and Explanation Regarding Recirculation of the Draft Environmental Impact Report pursuant to State CEQA Guidelines section 15088.5(e). (Attachment K)
5. Adopt the Statement of Overriding Considerations pursuant to State CEQA Guidelines section 15093. (Attachment K)
6. Find that the proposed project is consistent with the Resource Protection Ordinance (County Code, section 86.601 et seq.).
7. Find that plans and documentation have been prepared for the proposed project that demonstrate that the project complies with the Watershed Protection, Stormwater Management, and Discharge Control Ordinance (County Code, section 67.801 et seq.).
8. Adopt the Mitigation and Monitoring Program as incorporated into the project conditions of approval pursuant to CEQA Guidelines section 15091(d).

**STATEMENT OF OVERRIDING CONSIDERATIONS
MEADOWOOD PROJECT
SP04-001; GPA04-002; R04-004; TM5354; S04-005, S04-006, S04-007; P08-023;
and Log No. ER 04-02-004; SCH #2004051028**

January 11, 2012

Background

Pursuant to Section 21081 of the California Environmental Quality Act (CEQA) and Section 15091 of the State CEQA Guidelines, the County of San Diego Board of Supervisors ("Board") finds that mitigation was not feasible for: (1) temporary, short-term adverse visual impacts related to project construction; (2) significant cumulative impacts related to overall changes in view composition from surrounding areas; (3) significant, direct short-term traffic/transportation impacts to segments of State Route 76 [EIR (dated 4/11/11) page 2.3-16 indicates that the project will have significant and unmitigated long term direct and cumulative impacts]; (4) significant air quality impacts during Project operation; and (5) significant cumulative air quality impacts related to inconsistency with RAQS and applicable SIP.

Significant temporary, short-term adverse visual impacts would occur during the proposed construction due to removal of existing vegetation and the introduction of new, visually dominant elements such as cut or fill slopes, construction fencing, construction equipment, and construction materials stockpiling and storage, which would cause the site character to temporarily conflict with the surrounding characteristics (Impact A-1, as discussed in EIR Section 2.1.3 and in the Visual Impact Assessment [VIA]). With regard to construction-period effects, phasing of the construction activities would restrict the amount of site under active build at any one time. Installation of landscaping subsequent to each construction phase (hydroseeding) would also help to minimize visual effects of grading activities and building construction. Nonetheless, incompatible changes to the existing visual character due to construction-period effects related to vegetation removal and the introduction of built elements into a rural setting would degrade the quality of views from the surrounding areas in the short term. No feasible mitigation beyond Project design features already incorporated is available for these impacts.

Implementation of the Proposed Project in combination with cumulative projects would result in significant cumulative impacts related to overall changes in view composition from surrounding areas (Impacts A-2 and A-3, as discussed in EIR Section 2.1.4 and in the VIA). The Proposed Project has been designed to include a number of important elements that serve to avoid a majority of the potential significant impacts to visual resources. Project design features such as landscaping, building setbacks, and architectural details all would help to reduce the visual impacts created by the Proposed Project by screening buildings and lighting at Project buildout. These features would not affect the dominance of the cumulative projects due to their scale; and therefore would not reduce the Project's contribution to cumulative visual impacts to less than significant levels. In addition, while each of the cumulative projects will likely provide design measures, like the Proposed Project, to reduce direct visual impacts, the cumulative visual change in the region is unavoidable. These effects remain unmitigable and long-term for Impacts A-2 and A-3.

For significant direct traffic/transportation impacts along State Route (SR) 76 between Via Monserrate to Gird Road and from the I-15 Southbound Ramp to I-15 Northbound Ramp (Impact TR-2), the changes or alterations are within the responsibility and jurisdiction of another government agency and have been adopted by that other agency. These direct impacts are

identified in EIR Sections 2.3.3, and in the Traffic Impact Study (TIS). These segments of SR 76 will be widened to four lanes under the California Department of Transportation (Caltrans) SR-76 East Project. Once SR-76 is widened, its capacity would increase and Proposed Project related traffic would no longer contribute to unacceptable LOS.

Because these improvements are under the jurisdiction of Caltrans and not the County, there is a potential that the Caltrans improvements will not be in place prior to the first residential unit. As such, the County cannot assure that impacts would be avoided until actual improvements have been constructed. If Caltrans' construction of the improvements is delayed, the only mitigation would be for the applicant to widen SR-76 to four lanes. Given the magnitude and ongoing nature of the projects/plans summarized above, widening SR-76 along these affected segments would require detailed engineering and construction beyond the capability of a single private applicant (including extensive conversion of existing land uses beyond the purview/ability of a private applicant). These improvements would require regional highway improvements of a magnitude and scope disproportionate to the current development project and outside the jurisdiction of the County to approve. The resolution of the existing and projected inadequate service capacities along SR-76 must occur on a regional level.

As noted, the lead agency with authority to approve and implement these improvements is Caltrans, and it is already underway in planning and coordinating with others regarding focused segment improvements. The County, Caltrans and the Project Applicant have met and conferred regarding Proposed Project impacts and appropriate mitigation. The project applicant will help improve SR-76 operations through intersection improvements at SR-76/Horse Ranch Creek Road. Specifically, if applicant precedes the other planned cumulative projects (i.e. Palomar College, Campus Park), then the applicant will construct the intersection and traffic signal at the intersection of SR-76 at Horse Ranch Creek Road. If applicant succeeds the other planned cumulative projects (i.e. Palomar College, Campus Park), then the applicant will construct a second left turn lane from eastbound SR-76 to northbound Horse Ranch Creek Road creating dual left turn lanes. These intersection improvements will allow SR-76 to operate in the AM hours at LOS B (eastbound) and LOS A (westbound) and to operate in the PM hours at a LOB B (both eastbound and westbound).

Regarding operational air quality impacts, on-site traffic and area source emissions greater than the applicable thresholds for ROG and PM10 would result in significant unmitigable impacts (Impacts AQ-3 and AQ-7, as discussed in EIR Section 2.2.3 and in the Air Quality Report). Project design considerations such as complete sidewalk coverage, internal trails, and paved shoulders for bicycle use, would promote walking, bicycle riding, and horseback riding as alternative forms of transportation and reduce traffic and area source emissions. Even with these design measures, direct and cumulative impacts associated with emissions of ROG, and PM10 remain significant and unmitigable based on the URBEMIS 2007 air quality model. This model however, does not include anticipated reductions to air emissions resulting from recent regulations on motor vehicles. These regulations on future motor vehicles would further reduce ROG and PM10 emissions, although the reduction cannot be quantified at this time. Otherwise, the only way to reduce these emissions is to reduce the vehicle miles traveled (VMT). Therefore, no feasible mitigation exists to reduce the remaining significant impact associated with operational emissions.

The Proposed Project would conflict with the existing San Diego RAQS and applicable SIP because the density proposed is not consistent with current land use plans and SANDAG housing forecasts (Impacts AQ-1 and AQ-5, as discussed in EIR Section 2.2.4). This represents a significant impact for which there is no available feasible mitigation. While the Proposed Project

contains smart growth features, which would serve to reduce motor vehicle use, a major goal of the RAQS Transportation Control Measures (TCMs), this would not eliminate this inconsistency with RAQS for the SDAB. This inconsistency can only be rectified when SANDAG updates the RAQS based on the growth projections after the Proposed Project has been approved. Therefore, upon implementation of the Proposed Project, the direct and cumulative impacts will remain significant and unmitigable.

Pursuant to Section 15093 of the State CEQA Guidelines, when the lead agency approves a project that may result in the occurrence of significant effects that are identified in the Final Environmental Impact Report (EIR), but are not avoided or substantially lessened, the agency shall state in writing the specific reasons to support its action based on the Final EIR and/or other information in the record.

Statement of Overriding Considerations

The Board declares that it has adopted all feasible mitigation measures with respect to the above-remaining unavoidable significant effects, and finds that they are acceptable due to each of the specific economic, legal, social, technological, or other Overriding Benefits that will result from approval and implementation of the Proposed Project, as listed below. All of these benefits are based on the facts set forth in the CEQA Findings Regarding Significant Effects, the Final EIR, and the record of the proceedings for the Proposed Project. Each of these benefits is a separate and independent basis that justifies approval of the Proposed Project, so that if a court were to set aside the determination that any particular benefit will occur, the Board finds that it would stand by its determination that the remaining benefit(s) are sufficient to warrant Proposed Project approval.

Overriding Benefits

The Board finds that the Proposed Project would have the following substantial Overriding Benefits:

1. The Proposed Project will preserve a substantial block of biological open space. Specifically, the Project will preserve 122.4 acres of land of which 115.6 acres will be dedicated as part of the proposed North County MSCP preserve. Since only 65.8 acres are required for mitigation, the Project will preserve 49.8 acres in excess of that required to mitigate impacts to sensitive biological resources.

Retention of 122.4 acres, or 31% of the Project Site in open space, will provide a benefit to the County by contributing to the support and preservation of plant and animal life that would not otherwise be preserved in this portion of the County.

2. The Proposed Project's open space will provide an important block of habitat and a critical connection for the implementation of the Draft North San Diego County Multiple Species Conservation Plan ("NCMSCP"), in accordance with the County's Natural Communities Conservation Plan ("NCCP"). The Draft NCMSCP identifies the Project Site as an important linkage between habitat south of the Project Site and habitat to the north and northeast. The retention of this land in open space will provide a benefit to the County by contributing to the preservation and management in perpetuity of a large block of natural open space and agricultural preserve, creating an important linkage, critical for the implementation of the future NCMSCP.
3. The Proposed Project will place approximately 85.5% (74.5 acres) of the on-site coastal sage scrub, approximately 70% (22.0 acres) of the on-site non-native grassland, and 100% of the on-site coast live oak woodland (1.7 acres) in dedicated open space. These habitats are some of the most sensitive resources in the County and have suffered some of the greatest loss and degradation. Preservation of this acreage will provide a benefit to the County by contributing to the continued diversity of plant and animal life within this portion of the County.
4. The Proposed Project will provide a 10.1-acre park site open to the public for recreational uses. This park land would provide passive and active recreational amenities for surrounding communities, an area where there is a known shortage of recreational opportunities. The contribution of recreational park land will provide a benefit to the County through the dedication of much needed public recreational land (and a trail system discussed below) that would not otherwise be available in this portion of the County.
5. The Proposed Project will provide 5.9 miles of multi-use trails (hiking and horsebacking). The Proposed Project's trail system would connect the on-site trails to the open space preserve to the north of the Project Site and to the San Luis Rey River Park to the south and west of the Project Site. The contribution of the trails will provide a benefit to the County because it would implement the intent of the Community Trails Master Plan (CTMP) for this area of the County. In addition the proposed trail system will bring the County one step closer to its long term goal to interconnect the County trail system westward to Oceanside's trail network and eastward toward the mountains creating a continuous trail from the ocean to the mountains. Overall, the Project will contribute a privately-maintained trail system, available to the public, with connections to offsite trails that would not otherwise be available.
6. The Proposed Project will improve SR-76 operations through intersection improvements at SR-76/Horse Ranch Creek Road. Improvements will include widening and signalization. These regional transportation improvements will provide a benefit to the County by contributing to the operation of SR-76 at an acceptable LOS resulting in benefits to all users of these roadways.
7. The Proposed Project provides a range of housing types and costs, single-family detached units, multi-family detached units, and multi-family attached in an area where new housing opportunities are limited. The assortment of housing will provide a benefit to the

County by contributing a range of housing types to County residents who may otherwise be unable to reside in this part of the County.

8. The Proposed Project will participate in the contribution of funds for the acquisition, design and construction of a Transit Node. The Transit Node will provide a benefit to the County by contributing to a public transportation-friendly community which will reduce miles driven, and support basin-wide and localized reductions in air emissions.
9. The Proposed Project, in conjunction with other projects in the area, will contribute to the construction of a future sheriff's station. The new facility, to be located along the I-15 corridor, will provide a benefit to the County by contributing to increased law enforcement capabilities required to adequately serve the future and existing surrounding communities.

APPENDIX A

SYNOPSIS OF 2006 MSR/SOI REPORT FINDINGS

Rainbow MWD

Infrastructure

Rainbow MWD was formed when several private mutual water companies merged to create a public agency. Therefore, many of the facilities were in place prior to the District's formation in 1953. One method of measuring adequate service provision is to monitor customer complaints and their resolution. However, Rainbow MWD did not formally record complaints prior to May 2005. For the nine-month period between May 2005 and February 2006, a total of 88 customer comment cards were returned and they only identified the level of satisfaction. About 74% of the responders indicated satisfaction with District operations.

– Water

While District staff reported no known deficiencies in any of the 12 pressure zones that bring water to customers, there are some problems that should be addressed.

- Due to hilly terrain and predominant agricultural uses, many areas in the District's distribution system experience water pressure so high that infrastructure may be damaged. To reduce areas of high pressure, construction of new storage tanks and transmission mains would be necessary.
- According to the District's Water Master Plan, maintaining water quality has become an issue for two basic reasons: (1) water enters and leaves through a single inlet/outlet pipe – this reduces water circulation and results in a decreased ability to blend fresh water with stored water; and (2) District reservoirs are uncovered. Twice in 2005, the California Department of Health Services issued water quality citations to Rainbow MWD because the open reservoirs posed a risk to water quality.
- There are several areas that fail to meet current fire flow criteria. It should be noted that fire flow requirements have become more stringent over time and primarily apply to new development. However, the five fire districts that serve Rainbow MWD territory neither expressed concern during the public review period for the District's Master Plan nor submitted comments while LAFCO was undertaking this evaluation. No requirements are placed on a water district to upgrade an existing distribution system when fire flow requirements change. The Master Plan proposes improvement projects that would bring the system into compliance with the stricter minimum fire flow requirements. Since meeting minimum fire flow requirements is mandatory for new development, the improvements must be deemed adequate prior to completing new development.

– *Wastewater*

A review of the sewage disposal system revealed certain inadequacies.

- Lift Stations 1 & 2 as well as the Plant B lift station are not capable of keeping pace during peak wet weather flow that result in overflows due to system failures. Also, Lift Stations 1 & 2 exhibit numerous other shortfalls including deterioration of the material, capacity limitations, cracks, leaks, and electrical issues.
- Cracks in the sewer system as well as sections of the system that are deteriorated and need to be lined and repaired as revealed in video recordings. These deficiencies could lead to an increased problem with infiltration of groundwater into the sewage system.

– *Recycled Water*

Currently, Rainbow MWD does not provide recycled water within its boundary and no formal plans have been proposed to do so in the future. If a new wastewater treatment plant were to be built, it could be designed to produce recycled water. This, however, would require the installation of a distribution system separate from the sewer system.

Governance

Over a 10-year period, Rainbow MWD had a history of inconsistent governance as evidenced by numerous resignations, retirements, and recalls in each of the divisions. Several directors had to be appointed, many recall elections occurred, and the Board President resigned in August 2006, which prompted holding a special election in 2007 to find a replacement.

District leadership and employment also were erratic during that time with 11 general managers (some on an interim basis) over 12 years. The last general manager's contract ended in February, 2007. In addition, based upon the number of employees, the District appeared to have high turnover and an inability to maintain consistent employment – seven retirements, 30 resignations, and nine terminations spanning 2002 to 2007.

Fiscal

Net losses for the fiscal years ending June 2004 and 2005 would have occurred absent the influx of non-operating revenues, which largely consisted of connection and capacity fees resulting from new development. While specific policies regulating reserve funds have not been adopted, the Board annually approves monies earmarked as a reserve for infrastructure replacement and improvement. At this time, there are no designated operating reserves; however, the Board has the ability to redirect infrastructure reserves that can be used for operating emergencies.

San Luis Rey MWD

Infrastructure

Since its inception, the District has furnished only groundwater protection and provided legal advice associated with property owners' water rights. Since these types of services are so limited, no infrastructure is necessary and thus none has been built. The Master Plan was developed for future provision of water, sewer, and recycled water services based upon the belief that growth in the area was imminent. Some projects covered by the Master Plan were moving through the County's planning process (Meadowood and Gregory Canyon Landfill) while others were preliminary speculative plans outlined by the property owners (Campus Park West, City Home, Fritz holdings, Pala Rey Ranch, and Warner Property). Also included were two projects located in adjacent territory that are in the Rainbow MWD and its sphere (Lake Rancho Viejo and Campus Park). Until the 1980s, both the Lake Rancho Viejo and Campus Park sites were part of San Luis Rey MWD. At that time, the land was detached and concurrently annexed to Rainbow MWD. Thus, calculations contained in the Master Plan include projections for water demand, water storage, wastewater generation rates, housing units, etc. for developments currently inside another District's service area.

Governance

The District has a record of long-term stability on the Board, and never has had a recall or challenge for a Director's seat. In addition, the District has never had Brown Act or Political Reform Act violations, nor received any customer complaints during the last 10 years. Board members are volunteers who receive no compensation or tangible benefits, and must pay their own travel expenses when conducting District business.

Because office space is limited, Board meetings are conducted at a site that is accessible to the public (including disabled access) and has adequate parking, but is located approximately 100 yards outside the District boundary. Between January 2003 and December 2005, 38 regular Board meetings were scheduled; however, 14 or approximately one-third were not held due to either a lack of items to consider or lack of a quorum.

Potential Activation of Latent Powers

As mentioned, the District was established with the sole intent to furnish only groundwater protection and legal advocacy for property owners; no change to this service arrangement has occurred. Annexation to the SDCWA and MET was not pursued at the time of formation because the decision was made to wait until proposed development warranted securing an additional water supply. Thus, San Luis Rey MWD currently is not a member of either agency because customers use local groundwater supplies primarily for agricultural purposes. If the Board wishes to supplement existing responsibilities with additional services, an application requesting LAFCO to activate specific latent powers would be necessary.

Valley Center MWD

Infrastructure

Depreciation of existing infrastructure is determined by using calculations based on the estimated useful life of an asset. A number of factors are considered in assessing the need to replace and/or upgrade facilities, including age, condition, importance, etc. Facility replacement or upgrade is financed by standby fees, capital improvement reserves, and earned interest. To date, this method of identifying facilities for replacement and the pay-as-you-go financing has met the District's needs without creating significant rate increases. However, future large replacement projects could require long-term debt financing. The Board has implemented an ordinance establishing a limit on the expenditure of District funds for capital improvements; expenditures that would exceed the limit must first be ratified via a District-wide election.

– Water

One indicator of adequate service provision is the number of customer complaints related to infrastructure problems. Comment cards have been provided to facilitate communication with and feedback from customers. Between 1996 and 2006, the District received a relatively low number of complaints in comparison to the customer base, and many were not related to infrastructure issues.

The District's facilities are not underutilized nor are any shared with other entities. There are few issues related to water infrastructure and no persistent problems. However, there are some deficiencies involving areas, typically at higher elevations, that experience occasional periods of low water pressure. The District's topography consists of disparate elevations, which leads to pressure variations. For low pressure, existing customers are advised to consider installing private pumping systems while new customers are advised of any extreme (high or low) pressure conditions impacting the subject property. Although these water pressure variations have not resulted in any permit or regulatory violations, the District is addressing the deficiency through implementation of infrastructure improvements.

The District reported water service leaks, which include those related to meters, service lines, backflow, and mainlines. Of these, less than 10% involved mainlines, and they were associated with aging infrastructure and normal operational issues; none resulted in violations or enforcement by environmental agencies.

– Sewer

The existing wastewater facilities do not exhibit any deficiencies. In years 2000 – 2005, only five sewage spills were reported, and none resulted in claims against the District or requested enforcement actions by environmental agencies. The District is anticipating the need to expand sewer capability for future large development projects. Infrastructure requirements will be individually determined based on need and the potential for extending service to surrounding properties.

Governance

From 2000 to 2005, only 10 employees retired, 11 resigned, and only two were terminated. To ensure that day-to-day operations are the sole responsibility of the general manager, the Board has adopted resolutions specifically regulating communication between the Board and District employees.

– Cooperative Agreements

To achieve efficiencies and cost savings, the District is involved in several cooperative arrangements. As a member of the Association of California Water Agencies Joint Powers Insurance Authority, the District partners with other water agencies for insurance as well as to increase collective purchasing power for liability, workers' compensation, employee assistance programs, and health benefits insurance. By virtue of membership in the SDCWA, the District is able to tap into public information, public education, and water conservation programs as well as shared opportunities for financing, construction, operations, and maintenance of the SDCWA's Aqueduct System. In addition, Valley Center MWD signed the Countywide Mutual Aid Agreement in which all the SDCWA member agencies agreed to assist one another with personnel, equipment, and materials in times of catastrophic events.

Subject

PRESERVATION OF OPEN SPACE AND AGRICULTURAL LANDS

Purpose

To further the policies and priorities of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 regarding the preservation of open space and prime agricultural lands.

Background

The State Legislature has instructed Local Agency Formation Commissions to establish policies that address the preservation of open space (Govt. Codes § 56300 and 56377). LAFCOs are required to consider how spheres of influence or changes of local governmental organization could affect open space and prime agricultural lands. Commissions are directed to guide development away from prime agricultural lands – unless that action would not promote the planned, orderly and efficient development of an area – and to encourage development of existing vacant or non-prime agricultural lands within a jurisdiction before approving any proposal that would allow development of open-space lands outside of an agency's boundary (Govt. Code § 56377). Proposals must be further reviewed for their effect on maintaining the physical and economic integrity of agricultural lands (Govt. Code § 56668).

Policy

It is the policy of the San Diego Local Agency Formation Commission to:

1. Discourage proposals that would convert prime agricultural or open space lands to other uses unless such an action would not promote the planned, orderly, efficient development of an area *or* the affected jurisdiction has identified all prime agricultural lands within its sphere of influence and adopted measures that would effectively preserve prime agricultural lands for agricultural use;
2. Require rezoning of territory (city only) to identify areas subject to agricultural/preservation and planned development;

L-101 LEGISLATIVE POLICY

3. Follow San Diego LAFCO's adopted procedures to define agricultural and open space lands and to determine when a proposal may adversely affect such lands.

Adopted: November 6, 1978
Amended: June 4, 1990
Amended: May 4, 1998
Technically Updated: January 1, 2001

Cross-reference:

SAN DIEGO LAFCO PROCEDURES:
-Open Space and Agricultural Preservation

Subject

SPHERES OF INFLUENCE OF CITIES AND SPECIAL DISTRICTS

Purpose

To establish the manner in which the San Diego Local Agency Formation Commission establishes and updates spheres of influence.

Background

In 1972, the State Legislature directed LAFCOs to adopt a sphere of influence for each local governmental agency. Spheres are to be developed in cooperation with each agency to represent . . . *the probable physical boundaries and service area of a local agency as determined by the Commission*. . . (Government Code § 56076). Spheres of influence provide guidance for the expansion and organization of local agencies; however, designation of a sphere does not *entitle* future annexation or require that areas within a sphere be annexed.

Since enactment of AB 2838 (Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000), State law directs LAFCOs to periodically review and update spheres of influence in concert with conducting Municipal Service Reviews. Spheres are used as regional planning tools to discourage urban sprawl and encourage orderly growth; accordingly, spheres must be based upon a comprehensive analysis of all relevant factors and they must be up-to-date. To ensure comprehensive updates, city spheres are reviewed in conjunction with the spheres of affected special districts and a determination is made regarding whether a city or an adjacent special district should provide future services to unincorporated areas. Special districts are also subject to sphere adoption/update provisions.

Policy

It is the policy of the San Diego Local Agency Formation Commission to:

1. Designate spheres of influence in close cooperation with affected local agencies and communities;
2. Utilize spheres of influence to:
 - a. Guide deliberations on specific changes of organization;

- b. Discourage potential duplication of services by two or more local governmental agencies;
 - c. Determine the need for specific governmental reorganization studies;
 - d. Preserve community identities and boundaries;
 - e. Encourage political and functional reorganization of local agencies which cross-cut communities;
 - f. Encourage annexation of territory that has been specified as available for urban development prior to annexation of other areas; and
 - g. Encourage the extension of urban services to existing urban areas prior to extending services to areas that are not devoted to urban uses.
3. Encourage cities, which are adjacent to unincorporated territory, to reconcile incompatible general plan land use elements with the County of San Diego;
 4. Review city spheres of influence and special district spheres at approximately five-year intervals;
 5. Discourage major amendments to a city or special district sphere if the sphere has been updated or affirmed within the prior five year period except for the following conditions:
 - a. Public health or safety needs; for example, amending a jurisdiction's sphere to permit annexation of a parcel that requires public sewer service because of a failed septic system;
 - b. Property under a single ownership that is split by a sphere boundary if the split property shares characteristics including access, geography, communities of interest and the manner in which services will be provided;
 - c. A reorganization involving two or more jurisdictions if the sphere of influence boundaries are coterminous and each jurisdiction agrees to the sphere amendments and reorganization;

- d. If a city or special district can provide adequate documentation showing that conditions have significantly changed to warrant a sphere amendment.
6. Conduct sphere of influence evaluations and updates prior to the five-year interval if an affected jurisdiction or interested party submits a request based on adequate justification and the appropriate processing fee;
7. Maintain a sphere of influence for the San Diego County Water Authority, which is coterminous with the spheres of influence for SDCWA member-agencies, by amending or updating the SDCWA sphere concurrent with each amendment or update to spheres of member agencies; and
8. Maintain a sphere of influence for the area of Metropolitan Water District of Southern California (MET) in San Diego County, which is coterminous with the sphere of influence for SDCWA, by amending or updating the MET sphere concurrent with each amendment or update to the SDCWA sphere; and
9. Facilitate communication with affected public agencies, communities, property owners and residents concerning the sphere of influence update process.

Adopted: August 6, 1990
Amended: May 4, 1998
Amended: June 5, 2000
Technical Update: May 2, 2005
Technical Update: August 25, 2008

Cross-reference:

SAN DIEGO LAFCO POLICY:

- A-101 SAN DIEGO ASSOCIATION OF GOVERNMENTS AND THE REGIONAL GROWTH MANAGEMENT STRATEGY
- L-104 LAFCO-INITIATED CHANGES OF ORGANIZATION

SAN DIEGO LAFCO PROCEDURES:

- SPHERES OF INFLUENCE
- LAFCO-INITIATED PROPOSALS

Pardee Homes – Meadowood Water/Wastewater Provision Background

July 2004 – Rainbow Municipal Water District (RMWD) and Pardee Homes (Pardee) enter into a Preannexation Agreement. The Agreement called for Pardee to build and operate a wastewater treatment plant and deed it to RMWD after one year in exchange for annexing the subdivision into the District.

April 6, 2005 – RMWD Board, by a vote of 3-0, with two abstentions (Bopf and Glick), instructed the water district's attorney to contact Pardee representatives and discuss a way to end the pre-annexation agreement.

August 17, 2005 – San Luis Rey Municipal Water District (SLRMWD) Board of Directors votes to send letter to LAFCO initiating the MSR/SOI and activation of its Latent Powers.

February 21, 2007 - The SLRMWD Board of Directors passed a resolution to initiate formal negotiations with the Valley Center Municipal Water District (VCMWD) for provision of retail water and wastewater services within the SLRWMD and certain adjacent lands.

February 22, 2007 – CWA votes to deny membership to SLRMWD to become a retail water agency.

March 2007 – RMWD passes Resolution 07-07 stating that the District will not adjust its boundaries, essentially blocking any future annexations.

March 16, 2007 – SLRMWD circulates the Programmatic EIR for public review to address environmental issues of the Master Plan for the district's anticipated future facilities.

September 2007 – The RMWD files a lawsuit against SLRMWD pursuant to its Master Plan EIR. Other parties to the lawsuit eventually included Endangered Habitats League (EHL) and Pala Band of Mission Indians (Pala).

March 10, 2008 – The RMWD, EHL and Pala enter into a settlement agreement. Under the terms of the agreement, SLRMWD decertified its EIR for a Master Plan for the District.

July 23, 2008 – General Counsel for RMWD sends letter to Pardee stating that the Preannexation Agreement entered into between Pardee and the District, dated July 2004, is neither binding upon nor enforceable against the District.

November 4, 2008 – Pardee receives letter from David Seymour, General Manager of RMWD initiating mutual termination of the Pre-Annexation Agreement.

December 2008 – Mutual Termination Agreement between Pardee and RMWD accepted by the RMWD Board. Agreement states that the District will not actively participate in any LAFCO proceedings regarding the property so long as such proceedings will not affect the District's current service area with respect to water or sewer service. Furthermore, the District will not actively participate in, or initiate any challenge to such proceedings, other than to provide any factual information requested by LAFCO.

June 15, 2009 – County staff accepts the Meadowood Water Supply Assessment/Verification (WSA/V) Report for the Meadowood project.

April 2010 – Meadowood project team is informed by County staff, that a third-party independent review of the WSA/V is needed.

July 21, 2010 – County staff requires that a Fallbrook Projects - Feasibility Study be prepared addressing the ability to provide water/wastewater services to Meadowood and Campus Park West.

September 23, 2010 – The third party review of the WSA/V Report is completed and the document is accepted by County staff.

October 19, 2010 – County staff accepts the Fallbrook Projects – Feasibility Study addressing the provision of water/wastewater service for the Meadowood and Campus Park West projects.

January 18, 2011 – Valley Center Municipal Water District votes unanimously to support Meadowood annexation and provides Project Facility Availability forms.

October 7, 2011 – Meadowood is approved by the San Diego County Planning Commission.

October 25, 2011 – RMWD Board votes to rescind Resolution 07-07 (approved in 2007). Resolution 07-07 was approved to get RMWD out of the pre-annexation agreement with Pardee, and limited annexations and sphere of influence changes to the District. General Manager Seymour encouraged the board to rescind the resolution so that they may take part in the discussions regarding development that will occur with or without service from the RMWD. Directors Walson and Griffiths were opposed and Directors Lucy, McManigle and Sanford voted in favor to rescind the resolution.

January 11, 2012 – Meadowood is unanimously approved by the San Diego County Board of Supervisors.

January 23, 2012 – Dave Seymour, General Manager for Rainbow Municipal Water District sends communication to Pardee expressing an interest in discussing the potential for Rainbow to serve the project with water and sewer services.

January 30, 2012	Meeting with LAFCO and Valley Center MWD to discuss the annexation.
February 2, 2012	Pardee sends letter to Valley Center MWD seeking formal initiation of annexation into VCMWD.
February 21, 2012	Valley Center MWD Board meeting. Update provided on annexation, no action taken.
July 26, 2012	Annexation application submitted by VCMWD to CWA.
September 7, 2012	VCMWD's application for Meadowood annexation submitted to LAFCO.
September 24, 2012	SLRMWD representative contacts Pardee representative requesting a copy of the VCMWD application to LAFCO for the Meadowood Reorganization.
September 25, 2012	Pardee indicates to SLRMWD representative that the VCMWD application has been deemed by LAFCO to be incomplete. Application was later deemed complete.

October 11, 2013	LAFCO letter to subject and affected agencies and interested parties seeking terms and conditions of reorganization. Comments due back to LAFCO by October 25 th .
October 15, 2012	Valley Center MWD adopts new development conservation and local supply use requirements.
October 24, 2012	Pardee submits Water Conservation Compliance letter to Valley Center MWD.
October 25, 2012	Deadline for agencies to submit comments to LAFCO on Meadowood annexation.
October 25, 2012	County Water Authority Board of Directors approves request to initiate formal terms and conditions for Meadowood annexation (on consent agenda at Water Planning Committee and at the full Board)
February 4, 2013	LAFCO receives supplemental form from the CWA, concluding all necessary paperwork from affected agencies.
February 28, 2013	LAFCO grants the San Luis Rey MWD a 30-day extension to provide comments on the Meadowood Reorganization.
March 20, 2013	Pardee representative attends SLRMWD board meeting and briefs board on Meadowood status – Board conducts a closed session on VCMWD/LAFCO/Meadowood reorganization negotiations.
April 1, 2013	San Luis Rey MWD submits letter to LAFCO that addresses the Meadowood/Valley Center MWD reorganization and the MSR/SOI update, and includes SLR's requested terms and conditions of the annexation.
April 8, 2013	San Luis Rey's counsel sends email to Meadowood counsel following up on letter to LAFCO and seeking a meeting to discuss the terms and conditions in the letter.
April 10, 2013	Pardee responds to San Luis MWD advising them that Pardee is evaluating the terms and conditions.
April 17, 2013	SLRMWD conducts another closed session on VCMWD/LAFCO/Meadowood reorganization negotiations.
May 3, 2013	Metropolitan Water District grants conditional approval and intent to levy standby charges for Meadowood.
May 28, 2013	LAFCO sends response letter to San Luis Rey MWD re: requested terms and conditions.
May 29, 2013	Pardee Homes receives property owner annexation ballot from Metropolitan Water District.
June 11, 2013	SLRMWD representative contacts Pardee representative to arrange a meeting.
June 12, 2013	Pardee indicates that in light of the May 20 th LAFCO response to SLRMWD that a meeting with SLRMWD is unnecessary.
June 19, 2013	LAFCO sends notification of special advisory committee meeting for August 16 th (meeting later cancelled).

June 19, 2013	SLRMWD conducts another closed session on VCMWD/LAFCO/Meadowood reorganization negotiations.
June 27, 2013	County Water Authority adopts preliminary terms and conditions for Meadowood
July 1, 2013	Valley Center Municipal Water District and San Luis Rey Municipal Water District meeting to discuss terms and conditions and gain understanding of general objectives of San Luis Rey MWDs objectives.
July 9, 2013	San Luis Rey submits response letter to LAFCO. Letter indicates that VCMWD and SLRMWD are working towards agreement on terms and conditions.
July 17, 2013	Pardee representatives meet with LAFCO to discuss detachment and annexation status.
July 17, 2013	SLRMWD conducts another closed session on VCMWD/LAFCO/Meadowood reorganization negotiations.
July 19, 2013	Valley Center MWD requests meeting with LAFCO to discuss MOU with FPUD/Rainbow and VCMWD. Also to review ongoing discussions with Wes Miliband (San Luis Rey MWD) regarding wide range of issues raised in the April 1, 2013 letter to LAFCO.
August 1, 2013	Valley Center MWD meets with LAFCO and San Luis Rey MWD. Valley Center MWD requests a meeting with Pardee to discuss detachment from SLRMWD.
August 20, 2013	Valley Center MWD and FPUD and Rainbow MWD meet to discuss MOU for facilities. Agree to share facilities and work out Joint Use Agreement before construction.
September 9, 2013	Metropolitan Water District's Finance and Infrastructure Approved final terms and conditions.
September 10, 2013	MET Board of Directors approves final terms and conditions.
September 16, 2013	Valley Center MWD Board of Directors approves MOU with Rainbow and FPUD.
September 17, 2013	Valley Center sends letter to Wes Miliband re: terms and conditions and detachment of Meadowood.
September 18, 2013	SLRMWD conducts another closed session on VCMWD/LAFCO/Meadowood reorganization negotiations.
September 25, 2013	FPUD/Rainbow MWD Board of Directors approve MOU with Valley Center
November 15, 2015	LAFCO's Special Districts Advisory Committee discusses and makes recommendations concerning the MSR/SOI Review and the "Meadowood Reorganization"
January 28, 2014	Representatives from San Luis Rey MWD, Pardee, and Valley Center meet with LAFCO staff to discuss San Luis Rey MWD's requested terms and conditions for Meadowood Project

**RECOMMENDED STATEMENT OF DETERMINATIONS
MUNICIPAL SERVICE REVIEW
RAINBOW MUNICIPAL WATER DISTRICT
MSR13-82**

**7A
7B**

The following statement of determinations is prepared pursuant to Section 56430 of the Government Code and fulfills LAFCO requirements regarding a sphere review for the Rainbow Municipal Water District (MWD). A written statement specifying the functions or classes of services provided by the District and establishing the nature, location, and extent of the functions or classes of district services is on file with the San Diego Local Agency Formation Commission.

(1) Growth and population projections for the affected area.

Efficient provision of public services is linked to an agency's ability to plan for future need. For example, a water purveyor must be prepared to supply water for existing *and* future levels of demand, and also be able to determine *where* future demand will occur. MSR's will give LAFCO, affected agencies, and the public the means to examine both the existing and future need for public services and will evaluate whether projections for future growth and population patterns are integrated into an agency's planning function.

Determination 1.1: Land use within the District's service area is transitioning from mainly agricultural to more rural residential development.

Determination 1.2: The amount of developable land remaining in the District is 18 percent of the total land area, or approximately 9,300 acres. Approximately 6,100 acres (66 percent) of the developable land is classified with a rural residential land use.

Determination 1.3: SANDAG has projected that population growth within the unincorporated Community Plan Areas within Rainbow MWD will average 2.65 percent annually and housing growth will average 2.58 percent annually through 2030.

(2) The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.

On February 3, 2014, San Diego LAFCO adopted a Statement of Determinations for disadvantaged unincorporated communities associated with the Rainbow MWD.

(3) Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies including needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged unincorporated communities within or contiguous to the sphere of influence.

As of July 1, 2012, the disadvantaged unincorporated communities located adjacent to the Rainbow MWD sphere were identified as federal lands (Camp Pendleton) and therefore are exempt from SB-444 requirements.

(4) Financial ability of agencies to provide services.

LAFCO must weigh a community's public service needs against the resources available to fund the services. During the MSR, the financing constraints and opportunities, which have an impact on the delivery of services, will be identified and enable LAFCO, local agencies, and the public to assess whether agencies are capitalizing on financing opportunities. For example, a MSR could reveal that two or more water agencies that are each deficient in storage capacity and which individually lack financial resources to construct additional facilities, may benefit from creating a joint venture to finance and construct regional storage facilities. Service reviews may also disclose innovations for contending with financing constraints, which may be of considerable value to numerous agencies.

Determination 4.1: The District does not have specific policies that regulate reserve funds. However, the District has stated that the current fee structure is adequate for infrastructure upgrades each year.

Determination 4.2: The District is limited in borrowing money through loans or bonds due to local Ordinance 95-1, which was enacted in 1995 by the District Board. This ordinance requires a two-thirds vote to incur additional public debt whenever the District is already carrying cumulative debt in excess of \$1 million for capital improvements.

Determination 4.3: The District requires new facilities that are needed to serve new development must be funded by the developer, and the new facilities are to be dedicated to the District upon completion.

Determination 4.4: If the District's average dry weather flow exceeds 1.5 mgd for 10 or more days in any three consecutive months, the District is required to pay additional costs. This appears to be a potential financing constraint.

Determination 4.5: For Rainbow MWD to provide services to proposed development areas currently within San Luis Rey MWD, Rainbow MWD would need to generate and implement funding sources to develop infrastructure and fund the costs of annexation of the additional lands to the San Diego County Water Authority (CWA) and Metropolitan

Water District of Southern California (MET). However, Rainbow MWD has stated that the cost of those CWA and MET annexation fees would be borne by the annexing property owners.

Determination 4.6: The District incurred significant expenses associated with covering the reservoirs in order to comply with water quality regulations.

(5) Status of, and opportunities for, shared facilities.

Public service costs may be reduced and service efficiencies increased if service providers develop strategies for sharing resources. For example, service providers in San Diego County currently share communication centers, wastewater treatment facilities, and distribution lines. Sharing facilities and excess system capacity decreases duplicative efforts, may lower costs, and minimizes unnecessary resource consumption. Options for future shared facilities and services should be considered. LAFCO may examine efficiencies that could be gained through: (1) functional reorganizations within existing agencies; (2) amending or updating spheres of influence; (3) annexations or detachments from cities or special districts; (4) formation of new special districts; (5) special district dissolutions; (6) mergers of special districts with cities; (7) establishment of subsidiary districts; or (8) any additional reorganization options found in Government Code § 56000 et. seq.

Determination 5.1: Rainbow MWD's membership in CWA supports CWA's public information, public education, and water conservation programs, and also provides for shared financing, construction, operation, and maintenance of the CWA Aqueduct System.

Determination 5.2: The District currently does not share any facilities. However, Rainbow MWD and Fallbrook PUD provide services by contract to territory in one another's service area. The two Districts partnered in a functional Joint Powers Authority (JPA) and shared some administration and managerial tasks. The future status of this JPA is unknown as the Rainbow MWD has indicated that it will be terminated in April 2014.

Determination 5.3: On March 10, 2014, the Fallbrook PUD adopted a resolution proposing the dissolution of Rainbow MWD concurrent with annexation of the service area to the PUD as well as activation of the PUD's sewer latent powers in the annexation area. Since sewer services already are available to that geographic region, no extension of new services to unserved areas would occur.

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

LAFCO's role in encouraging efficiently provided public services depends, in part, on helping local agencies explore opportunities that could: (1) eliminate duplicative services; (2) reduce high administration to operation cost ratios; (3) replace outdated or deteriorating infrastructure and equipment; (4) reduce inventories of underutilized equipment, buildings, or facilities; (5) reconfigure overlapping or inefficient service boundaries; (6) replace inefficient purchasing or budgeting practices; (7) implementing economies of scale; and (8) increase profitable outsourcing.

Determination 6.1: In an effort to increase efficiency and avoid costs, the District has reestablished the meter replacement program that ultimately will replace all old meters with remote-read meters. This program is expected to save money for the District both in reduced costs and by providing more accurate meter reads.

Determination 6.2: Extension of Rainbow MWD water and wastewater services to potential annexation areas would require a number of jurisdictional changes, including annexation to MET and CWA. In addition, the Rainbow MWD Board of Directors may need to be restructured to provide representation of the new areas.

Determination 6.3: Due to the physical service constraints caused by I-15, it would appear appropriate to include Special Study Areas west of I-15 into the Rainbow MWD sphere and include Special Study Areas that in Rainbow MWD but east of I-15 into the Valley Center MWD sphere.

(7) Any other matter related to effective or efficient service delivery, as required by commission policy.

In authorizing the preparation of MSRs, the State Legislature has focused on one of LAFCO's core missions—encouraging the efficient provision of public services. The adequacy of existing and planned public facilities and infrastructure impacts the efficient delivery of public services. Management efficiency refers to the effectiveness of an agency's internal organization to provide efficient, quality public services. Efficiently managed agencies consistently implement plans to improve service delivery, reduce waste, contain costs, maintain qualified employees, maintain adequate contingency reserves, and encourage open dialogue with the public as well as other agencies. Also of importance is the degree to which the agency fosters local accountability whereby the decision making body makes agendas and reports readily available, encourages public participation, solicits public input, and discloses district operations.

Determination 7.1: Rainbow MWD has addressed and resolved many of the infrastructure deficiencies described in the 2006 MSR/SOI Report. Reservoirs have been covered to ensure a higher standard of water quality, and measures have been implemented to increase water pressure throughout the District's conveyance system.

Determination 7.2: Improvement projects have brought the existing water system up to compliance with minimum fire flow requirements.

Determination 7.3: The District does not provide sewer service throughout its service area. In 2012, Rainbow MWD staff reported having in excess of 2,600 EDUs of capacity available in the sewage collection system. Some capacity is being held in reserve for water customers whose existing septic tank systems may fail in the future. Additional proposed development that requires sewer service may require construction of additional conveyance, treatment, and disposal facilities.

Determination 7.4: For Rainbow MWD to provide water, wastewater, and recycled water service to land in San Luis Rey MWD's service area, the District would need to develop extensive infrastructure since no infrastructure currently exists in San Luis Rey MWD. Rainbow MWD has stated that it would be able to utilize existing aqueduct connections and turnouts; however, significant water infrastructure improvements would still be required in order to accommodate the increase in needed capacity.

Determination 7.5: The District reviews its rates annually as part of the budget process, and adopts water rate increases and increased pump zone charges as necessary to meet escalating costs.

Determination 7.6: From 1996 to 2006, Rainbow MWD had an inconsistent history of governance with many directors having resigned, retired, or been recalled prior to the end of their term. Since 2006, the District has experienced more stable leadership.

Determination 7.7: The District provides for local accountability by holding board meetings and having agendas available pursuant to the Brown Act. In addition, the District publishes a monthly newsletter, which is included in monthly service bills.

**RECOMMENDED STATEMENT OF DETERMINATIONS
MUNICIPAL SERVICE REVIEW
SAN LUIS REY MUNICIPAL WATER DISTRICT
MSR13-88**

The following statement of determinations is prepared pursuant to Section 56430 of the Government Code and fulfills LAFCO requirements regarding a sphere review for the Rainbow Municipal Water District (MWD). A written statement specifying the functions or classes of services provided by the District and establishing the nature, location, and extent of the functions or classes of district services is on file with the San Diego Local Agency Formation Commission.

(1) Growth and population projections for the affected area.

Efficient provision of public services is linked to an agency's ability to plan for future need. For example, a water purveyor must be prepared to supply water for existing *and* future levels of demand, and also be able to determine *where* future demand will occur. MSRs will give LAFCO, affected agencies, and the public the means to examine both the existing and future need for public services and will evaluate whether projections for future growth and population patterns are integrated into an agency's planning function.

Determination 1.1: SANDAG growth projections to 2030 show minimal growth in the San Luis Rey MWD service area. However, there are proposed development projects currently in the existing boundary as well as proposed projects that are outside but adjacent to San Luis Rey MWD.

(2) The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.

As of July 1 2012, no disadvantaged unincorporated communities associated have been identified within or contiguous to the San Luis Rey MWD's sphere of influence; therefore, the SB 244-related determinations do not apply.

(3) Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies including needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged unincorporated communities within or contiguous to the sphere of influence.

As of July 1 2012, no disadvantaged unincorporated communities associated have been identified within or contiguous to the San Luis Rey MWD's sphere of influence; therefore, the SB 244-related determinations do not apply.

(4) Financial ability of agencies to provide services.

LAFCO must weigh a community's public service needs against the resources available to fund the services. During the MSR, the financing constraints and opportunities, which have an impact on the delivery of services, will be identified and enable LAFCO, local agencies, and the public to assess whether agencies are capitalizing on financing opportunities. For example, a MSR could reveal that two or more water agencies that are each deficient in storage capacity and which individually lack financial resources to construct additional facilities, may benefit from creating a joint venture to finance and construct regional storage facilities. Service reviews may also disclose innovations for contending with financing constraints, which may be of considerable value to numerous agencies.

Determination 4.1: Historically, the District's revenues have exceeded expenditures and there are no existing financing constraints.

Determination 4.2: If the San Luis Rey MWD transitioned into an urban water and wastewater service provider, extensive financial resources would be required to develop and construct infrastructure, and hire a professional staff in addition to obtaining numerous required permits, and access to imported water by virtue of membership in San Diego County Water Authority (CWA) and Metropolitan Water District of Southern California (MET), as well as legal authority to furnish those services via latent powers activation by LAFCO.

Determination 4.3: The District adopted a Land Secured Financing Policy that provides for funding of regional and/or multi-project/core facilities through formation of Community Facilities District(s) and/or Improvement Districts. These financing methods would need to be implemented in order to fund the infrastructure necessary to provide water and wastewater services.

Determination 4.4: The District determined that the costs associated with studies related to the activation of latent powers should be borne by those seeking service, and adopted a policy that provides financing from landowners to avoid placing the District in financial risk.

Determination 4.5: The District levies an annual water availability charge assessment. The rates are reviewed and adopted annually at a public meeting.

Determination 4.6: Legal research has determined that the water availability charge assessment is unlawful, should immediately be rescinded, and retroactive reimbursements should be given to affected property owners.

Determination 4.7: Research indicates that the San Luis Rey MWD's annual water availability assessment charge was never approved by voters as required by Proposition 218.

Determination 4.8: The majority of the District's revenue is derived from the water availability charge assessment. Since the water availability charge assessment has been deemed unlawful, the District may be insoluble if that revenue source is terminated. Furthermore, any District reserves may be depleted if property owners are retroactively reimbursed for prior years' water availability charges.

(5) Status of, and opportunities for, shared facilities.

Public service costs may be reduced and service efficiencies increased if service providers develop strategies for sharing resources. For example, service providers in San Diego County currently share communication centers, wastewater treatment facilities, and distribution lines. Sharing facilities and excess system capacity decreases duplicative efforts, may lower costs, and minimizes unnecessary resource consumption. Options for future shared facilities and services should be considered. LAFCO may examine efficiencies that could be gained through: (1) functional reorganizations within existing agencies; (2) amending or updating spheres of influence; (3) annexations or detachments from cities or special districts; (4) formation of new special districts; (5) special district dissolutions; (6) mergers of special districts with cities; (7) establishment of subsidiary districts; or (8) any additional reorganization options found in Government Code § 56000 et. seq.

Determination 5.1: Because SLRMWD does not have infrastructure, there are no opportunities to share facilities with another agency.

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

LAFCO's role in encouraging efficiently provided public services depends, in part, on helping local agencies explore opportunities that could: (1) eliminate duplicative services; (2) reduce high administration to operation cost ratios; (3) replace outdated or deteriorating infrastructure and equipment; (4) reduce inventories of underutilized equipment, buildings, or facilities; (5) reconfigure overlapping or inefficient service boundaries; (6) replace inefficient purchasing or budgeting practices; (7) implementing economies of scale; and (8) increase profitable outsourcing.

Determination 6.1: Several government structure options have been evaluated within this MSR area. Since the San Luis Rey MWD does not have the authority to provide water and sewer services in the region, the study involved an evaluation of each MWD's ability to serve territory in the San Luis Rey MWD's service area. These include: potential reorganization and dissolution of San Luis Rey MWD; consolidation among agencies; no change; and the viability of contractual arrangements for service provision. The alternatives provide LAFCO, local agencies, and the public with the information to pursue potential jurisdictional changes, expansion of services, and sphere of influence adjustments.

(7) Any other matter related to effective or efficient service delivery, as required by commission policy.

In authorizing the preparation of MSRs, the State Legislature has focused on one of LAFCO's core missions—encouraging the efficient provision of public services. The adequacy of existing and planned public facilities and infrastructure impacts the efficient delivery of public services. Management efficiency refers to the effectiveness of an agency's internal organization to provide efficient, quality public services. Efficiently managed agencies consistently implement plans to improve service delivery, reduce waste, contain costs, maintain qualified employees, maintain adequate contingency reserves, and encourage open dialogue with the public as well as other agencies. Also of importance is the degree to which the agency fosters local accountability whereby the decision making body makes agendas and reports readily available, encourages public participation, solicits public input, and discloses district operations.

Determination 7.1: The District's Board of Directors has a history of long-term stability and takes an active role in administrative matters.

Determination 7.2: The District does not have any direct employees. The District uses contract professionals on an as-needed basis. This allows for efficiency in providing the current services, such as legal, engineering, and environmental consulting, as the District does not pay for employee overhead expenses and only pays for direct services.

Determination 7.3: The District's processes to provide information to the public is inadequate. Specifically, access to Board meeting agendas and other materials is hampered because the District's website has been dismantled. The monthly agenda is posted by post office boxes along Highway 76. Also, documents distributed less than 72 hours prior to a meeting are available for public inspection at the District's General Counsel's office, which is located in Irvine, CA.

Determination 7.5: Public access to meetings is problematic since meetings are now held in a farm operations building located on a private, unmarked, unimproved dirt road, and having no public transit available.

**RECOMMENDED STATEMENT OF DETERMINATIONS
MUNICIPAL SERVICE REVIEW
VALLEY CENTER MUNICIPAL WATER DISTRICT
MSR13-96**

The following statement of determinations is prepared pursuant to Section 56430 of the Government Code and fulfills LAFCO requirements regarding a sphere review for the Valley Center Municipal Water District (MWD). A written statement specifying the functions or classes of services provided by the District and establishing the nature, location, and extent of the functions or classes of district services is on file with the San Diego Local Agency Formation Commission.

(1) Growth and population projections for the affected area.

Efficient provision of public services is linked to an agency's ability to plan for future need. For example, a water purveyor must be prepared to supply water for existing *and* future levels of demand, and also be able to determine *where* future demand will occur. MSRs will give LAFCO, affected agencies, and the public the means to examine both the existing and future need for public services and will evaluate whether projections for future growth and population patterns are integrated into an agency's planning function.

Determination 1.1: Valley Center MWD's Urban Water Management Plan projects population in the District to grow at an average of 3.60 percent annually, and single-family housing is projected to grow at an average of 5.21 percent through 2030.

Determination 1.2: The Valley Center MWD area is expected to transition from a predominantly agricultural area to that of large single-family homes and mixed agricultural/residential usage. SANDAG predicts that land utilized for single-family housing will experience an increase 96 percent from 2000 to 2030. Likewise, vacant developable land is projected to decrease by 93 percent over the same time period.

Determination 1.3: SANDAG has projected that population growth in the unincorporated Community Plan Areas located within Valley Center MWD will average 2.65 percent annually and housing growth will average 2.58 percent annually through 2030.

Determination 1.4: VCMWD's projected future water demands and infrastructure needs, detailed within the Water Master Plan and Urban Water Management Plan, are based upon the County's and the City of Escondido's existing land use plans, as well as population, water demand, and water supply data supplied by the San Diego County Water Authority (CWA) and SANDAG.

- (2) The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.**

On March 4, 2013, San Diego LAFCO adopted a Statement of Determinations for disadvantaged unincorporated communities associated with the Valley Center MWD.

- (3) Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies including needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged unincorporated communities within or contiguous to the sphere of influence.**

On March 4, 2013, San Diego LAFCO adopted a Statement of Determinations for disadvantaged unincorporated communities associated with the Valley Center MWD.

- (4) Financial ability of agencies to provide services.**

LAFCO must weigh a community's public service needs against the resources available to fund the services. During the MSR, the financing constraints and opportunities, which have an impact on the delivery of services, will be identified and enable LAFCO, local agencies, and the public to assess whether agencies are capitalizing on financing opportunities. For example, a MSR could reveal that two or more water agencies that are each deficient in storage capacity and which individually lack financial resources to construct additional facilities, may benefit from creating a joint venture to finance and construct regional storage facilities. Service reviews may also disclose innovations for contending with financing constraints, which may be of considerable value to numerous agencies.

Determination 4.1: The District has established four categories of reserves to provide funding for future capital projects, funding gaps related to reduced water sales, and emergency situations.

Determination 4.2: Infrastructure needs are paid for by developer contributions, capacity fees, standby fees, Capital Improvement Reserves, and from interest earned on reserves.

Determination 4.3: The District has prepared a Long-Term Financing Plan to finance all or a portion of the future projects contained in the District's Master Plan.

Determination 4.4: A general financing constraint includes the District's Capital Improvement Spending Limit, which was enacted in 1989 by a vote of District residents. This Ordinance established a limitation on the expenditure of District funds for capital improvements. Expenditures in excess of these limitations must be ratified by a District-wide election.

Determination 4.5: The District sets its rates annually through a public hearing process. The District's rates are comprised of the rate for water, the monthly service charge for meters, the SDCWA monthly infrastructure access charge, and pump zone charges. A large majority of the costs that create the District's rates are pass-through costs of water and energy purchases; therefore, they are not under the District's control.

Determination 4.6: The District has established Rate Stabilization Reserves to provide stability for water rates, fixed wholesale charges, and pumping rates.

Determination 4.7: For Valley Center MWD to provide services to proposed development areas currently in San Luis Rey MWD, Valley Center MWD would need to generate and implement funding sources to develop infrastructure and fund the costs of annexation of the additional lands to the San Diego CWA and MET. However, Valley Center MWD anticipates that the cost of those CWA and MWD annexation fees would be borne by the annexing property owners.

(5) Status of, and opportunities for, shared facilities.

Public service costs may be reduced and service efficiencies increased if service providers develop strategies for sharing resources. For example, service providers in San Diego County currently share communication centers, wastewater treatment facilities, and distribution lines. Sharing facilities and excess system capacity decreases duplicative efforts, may lower costs, and minimizes unnecessary resource consumption. Options for future shared facilities and services should be considered. LAFCO may examine efficiencies that could be gained through: (1) functional reorganizations within existing agencies; (2) amending or updating spheres of influence; (3) annexations or detachments from cities or special districts; (4) formation of new special districts; (5) special district dissolutions; (6) mergers of special districts with cities; (7) establishment of subsidiary districts; or (8) any additional reorganization options found in Government Code § 56000 et. seq.

Determination 5.1: Valley Center MWD does not share facilities mainly based on physical location. However, the District does have interagency agreements, primarily for emergency purposes, with neighboring agencies.

Determination 5.2: The District is a participant in financing infrastructure needs related to the regional water facilities that provide imported water.

Determination 5.3: Valley Center MWD's membership in CWA supports CWA's public information, public education, and water conservation programs, and also provides for shared financing, construction, operation, and maintenance of the CWA Aqueduct System.

Determination 5.4: the District entered into a water purchase agreement with Poseidon Resources for desalted seawater. This project is planned to utilize a shared desalination facility.

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

LAFCO's role in encouraging efficiently provided public services depends, in part, on helping local agencies explore opportunities that could: (1) eliminate duplicative services; (2) reduce high administration to operation cost ratios; (3) replace outdated or deteriorating infrastructure and equipment; (4) reduce inventories of underutilized equipment, buildings, or facilities; (5) reconfigure overlapping or inefficient service boundaries; (6) replace inefficient purchasing or budgeting practices; (7) implementing economies of scale; and (8) increase profitable outsourcing.

Determination 6.1: Valley Center MWD is governed by an elected Board of Directors. Based on the current provision of services and stable history of governance, the existing government structure would be able to continue to provide efficient and adequate services to the District's service area.

Determination 6.2: Extension of Valley Center MWD water and wastewater services to potential annexation areas would require a number of jurisdictional changes, including annexation to MET and CWA. In addition, the Valley Center MWD Board of Directors may need to be restructured to provide representation of the new areas.

Determination 6.3: Due to the physical service constraints caused by I-15, it would appear appropriate to include Special Study Areas located in Valley Center MWD, but west of I-15 in the Rainbow MWD sphere, and include Special Study Areas that are in Rainbow MWD and Vallecitos Water District but east of I-15 into the Valley Center MWD sphere.

(7) Any other matter related to effective or efficient service delivery, as required by commission policy.

In authorizing the preparation of MSRs, the State Legislature has focused on one of LAFCO's core missions—encouraging the efficient provision of public services. The

adequacy of existing and planned public facilities and infrastructure impacts the efficient delivery of public services. Management efficiency refers to the effectiveness of an agency's internal organization to provide efficient, quality public services. Efficiently managed agencies consistently implement plans to improve service delivery, reduce waste, contain costs, maintain qualified employees, maintain adequate contingency reserves, and encourage open dialogue with the public as well as other agencies. Also of importance is the degree to which the agency fosters local accountability whereby the decision making body makes agendas and reports readily available, encourages public participation, solicits public input, and discloses district operations.

Determination 7.1: The District determines water infrastructure needs through a master planning process, and has adopted both a Water Master Plan and an Urban Water Management Plan. Both of these documents evaluate land uses, projected growth, and infrastructure expansions and deficiencies.

Determination 7.2: The main focus of the District's Water Master Plan and CIP is the replacement of aging infrastructure and prioritizing older or less reliable segments for replacement.

Determination 7.3: For Valley Center MWD to provide water, wastewater, and recycled water service to land in San Luis Rey MWD's service area, the District would need to develop infrastructure since no infrastructure currently exists in San Luis Rey MWD. Valley Center MWD would be able to utilize existing aqueduct connections; however, water infrastructure would be required in order to accommodate the increase in needed capacity.

Determination 7.4: Valley Center MWD has planned for additional growth and expansion of the service area for several years; the County's Water Supply Assessment and Verification Report determined that an adequate supply of imported water is available to serve the proposed Meadowood Project and identified Valley Center MWD as the appropriate purveyor of water service.

Determination 7.5: Historically, Valley Center MWD has had consistent governance and overall management efficiency due to long tenure of staff and the stable leadership of the general manager.

Determination 7.6: The Districts' operational and management processes provide for local accountability and public participation by holding board meetings and having agendas available pursuant to the Brown Act. Customer Comment cards are provided to facilitate communication and feedback.

**RECOMMENDED STATEMENT OF DETERMINATIONS
PROPOSED AMENDMENT
TO THE SPHERE OF INFLUENCE FOR THE
RAINBOW MUNICIPAL WATER DISTRICT
SR13-82**

**7A
7B**

The following statement of determinations is prepared pursuant to Section 56425 of the Government Code for designation of the area shown on the attached map as an amendment to the sphere of influence for the Rainbow Municipal Water District (MWD). A written statement from the affected District specifying the functions or classes of services provided was approved on August 6, 2007.

(1) The present and planned land uses in the area, including agricultural and open space lands.

Rainbow MWD encompasses approximately 80 square miles of unincorporated land in northern San Diego County; however, there is an area of 200 acres that overlaps the City of Oceanside. Currently, the majority of the District is undeveloped and mainly is open space/agricultural with small areas of spaced rural residential land uses scattered throughout. There are pockets of denser commercial development along State Route 76 (SR 76). Some established residential developments are located adjacent to the main tributary roads such as Gird Road, Gopher Canyon Road, Tecolote Drive, and West Lilac Road. While a large portion of Rainbow MWD's service area is agricultural land, only a small percentage is designated as prime agricultural land.

The County-approved General Plan Update made changes to large areas previously designated for agriculture or vacant use. Those areas are now designated as spaced rural residential. Other General Plan changes included having denser residential development in the Interstate 15 (I-15) corridor and adjacent to the intersection of I-15 with SR 76. Thus, based on location in that area, newer residential developments such as Campus Park and Lake Rancho Viejo were approved with a higher level of density.

SANDAG has projected that population growth within and around the Rainbow MWD area will average 2.65 percent annually, and housing growth will average 2.58 percent annually through 2030. Growth projections and existing planned development are consistent with the transition from a predominantly agricultural area to that of large single-family homes and mixed agricultural/residential usage.

(2) The present and probable need for public facilities and services in the area.

The County has anticipated and planned to accommodate residential growth in this geographic area for the past 30 years. Thus, water and sewer infrastructure and services will need to be planned to meet projected demand. Adoption of the proposed sphere amendment will facilitate provision of water and sewer services to areas where development is planned: (1) the 327-acre non-contiguous portion of San Luis Rey MWD;

(2) the 429-acre Warner Ranch property; and (3) a small segment of Pala Road located adjacent to the Warner Ranch; as well as territory with no current development plans (3) three non-contiguous areas totaling 96± acres located between the San Luis Rey and Rainbow MWDs, which is not in any agency's sphere.

(3) The present capacity of public facilities and adequacy of public services which the agency provides or is authorized to provide.

Rainbow MWD is authorized to provide water and sewer services throughout its service area although, at this time, sewer services is not district-wide. The District has addressed and resolved many of the infrastructure deficiencies and capacity issues described in the 2006 MSR/SOI Report. Capacity is available to extend water and sewer services to the development-related areas proposed for inclusion in the sphere – Campus Park West, City Home, and Warner Ranch; the District has completed “will serve” letters for both Campus Park West and Warner Ranch. In 2012, Rainbow MWD staff reported having in excess of 2,600 EUDs of capacity available in the sewage collection system.

(4) The existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency.

Social and economic communities of interest would include the proposed development that would be constructed and the anticipated growth that is expected to occur in the proposed sphere amendment areas.

**RECOMMENDED STATEMENT OF DETERMINATIONS
PROPOSED AMENDMENT
TO THE SPHERE OF INFLUENCE FOR THE
SAN LUIS REY MUNICIPAL WATER DISTRICT
SR13-88**

The following statement of determinations is prepared pursuant to Section 56425 of the Government Code for designation of the area shown on the attached map as an amendment to the sphere of influence for the San Luis Rey Municipal Water District (MWD). A written statement from the affected District specifying the functions or classes of services provided was approved on August 6, 2007.

(1) The present and planned land uses in the area, including agricultural and open space lands.

San Luis Rey MWD encompasses approximately 3,000 acres of unincorporated land in northern San Diego County. At this time, the majority of the District is undeveloped and primarily designated as open space/agricultural with some spaced rural residential land uses scattered throughout the District's service area. According to SANDAG's 2009 data, the population totals 100. The westernmost territory in San Luis Rey MWD is a non-contiguous island area of 327 acres that is separated from the majority of the District by a corridor of land in Rainbow MWD. The areas in the District's boundary that contain prime agricultural land are City Home, Fritz property, and Pala Rey Ranch; City Home is located in the District's island area. Any development plans that include prime agricultural land would need to discuss and address LAFCO's Agricultural Lands Policy

The County-approved General Plan Update made significant changes to large areas previously designated for agriculture or vacant use. Many of those areas are now designated as spaced rural residential. Other changes included having denser residential development in the Interstate 15 (I-15) corridor and adjacent to the intersection of I-15 with State Route 76 (SR 76). Additionally, the area east of I-15 and north of SR 76 is designated as single-family residential.

The SANDAG growth projections and existing planned developments along the I-15 corridor are consistent with the expected transition in that area from predominantly agricultural uses to that of a suburban residential community.

(2) The present and probable need for public facilities and services in the area.

The County has anticipated and planned to accommodate residential growth in this geographic area for the past 30 years. Thus the need for water and sewer infrastructure and services will need to increase to meet projected demand. To accommodate the associated future need for water and sewer services, territory should be removed from San Luis Rey MWD's sphere and placed in the spheres for the Rainbow and Valley Center MWDs. The

327-acre non-contiguous portion of San Luis Rey MWD should be placed in the Rainbow MWD's sphere, and the 390-acre Meadowood Project site should be added to the Valley Center MWD's sphere. Adoption of the proposed sphere amendment will facilitate provision of water and sewer services to areas where development is planned.

(3) The present capacity of public facilities and adequacy of public services which the agency provides or is authorized to provide.

San Luis Rey MWD is only authorized to protect groundwater resources and provide advocacy for property owners' water rights. The District has no infrastructure and does not have the authority to provide water and sewer services. For these reasons, areas in the District that are planned for residential development should be placed in the spheres for the surrounding districts that do provide water and sewer services – Rainbow and Valley Center MWDs.

(4) The existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency.

Social and economic communities of interest would include the proposed developments that would be constructed and the anticipated growth that is expected to occur in the proposed sphere amendment areas.

**RECOMMENDED STATEMENT OF DETERMINATIONS
PROPOSED AMENDMENT
TO THE SPHERE OF INFLUENCE FOR THE
VALLEY CENTER MUNICIPAL WATER DISTRICT
SR13-96**

The following statement of determinations is prepared pursuant to Section 56425 of the Government Code for designation of the area shown on the attached map as an amendment to the sphere of influence for the Valley Center Municipal Water District (MWD). A written statement from the affected District specifying the functions or classes of services provided was approved on August 6, 2007.

(1) The present and planned land uses in the area, including agricultural and open space lands.

Valley Center MWD encompasses approximately 100 square miles of unincorporated land in northern San Diego County; however there is an area where the southern part of the District overlaps a portion of northern City of Escondido territory. At this time, the majority of the District is undeveloped and designated as open space/agricultural, spaced rural residential or vacant land. The SANDAG growth projections and existing planned developments along the I-15 corridor are consistent with the expected transition in that area from predominantly agricultural uses to that of a suburban residential community.

The County-approved General Plan Update made significant changes to large areas previously designated for agriculture or vacant use. Many of those areas are now designated as spaced rural residential. Other changes included having denser residential development in the Interstate 15 (I-15) corridor and adjacent to the intersection of I-15 with State Route 76 (SR 76). Additionally, the area east of I-15 and north of SR 76 is designated as single-family residential (Meadowood Project).

The Meadowood Project footprint totals about 390 acres; approximately 209 acres are in agricultural usage. Around 50 acres will be retained for agricultural activities within a conservation area; an additional 120± acre area is dedicated open space and will not be developed. While 14.5 acres of prime agricultural land has been identified in the Meadowood Project site, the approved development plan and environmental document discussed and addressed how the proposed project will result in planned, orderly, and logical development consistent with LAFCO's Agricultural Lands Policy.

(2) The present and probable need for public facilities and services in the area.

The County has anticipated and planned to accommodate residential growth in this geographic area for the past 30 years. Thus, water and sewer infrastructure and services will be planned to increase to meet projected demand. To accommodate the associated future need for water and sewer services, the Meadowood Project territory should be removed from the San Luis Rey MWD and its sphere and placed in the sphere for the Valley Center MWD. Adoption of the proposed sphere amendment will facilitate provision of water and sewer services to an area where development is planned.

(3) The present capacity of public facilities and adequacy of public services which the agency provides or is authorized to provide.

Valley Center MWD is authorized to provide water and sewer services throughout its service area although, at this time, sewer services is not district-wide. The District has increased infrastructure and capacity to ensure adequate service provision in the future. Capacity is available to extend water and sewer services to the development-related Meadowood Project area that is proposed for inclusion in the sphere, and “will serve” letters pertaining to the project also have been submitted.

(4) The existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency.

Social and economic communities of interest would include the proposed developments that would be constructed and the anticipated growth that is expected to occur in the proposed sphere amendment areas.