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8

AGENDA REPORT Public Hearing | Action

June 4, 2018

TO: San Diego Commissioners

FROM: Keene Simonds, Executive Officer
Robert Barry, Chief Policy Analyst

SUBJECT: Establishment of Secondary Service-Specific Sphere and Reorganization | Harmony Grove Village Reorganization with Establishment of Wastewater-Specific Sphere and Activated Wastewater Latent Power Area for Rincon del Diablo Municipal Water District and Detachment from San Diego County Sanitation District [RO17-10; SI(S)17-10; LP(A)17-10; DD17-10]

SUMMARY

The San Diego Local Agency Formation Commission (LAFCO) will consider concurrent actions associated with a reorganization proposal filed by the Rincon del Diablo Municipal Water District (MWD) to assume wastewater services to a 425-acre portion of the Harmony Grove Village (HGV) and its 742 residential dwelling units. This includes establishing a wastewater-specific sphere and activated wastewater latent power area for Rincon del Diablo MWD to include the Harmony Grove Village site. No other lands are included. Concurrent detachment from San Diego County Sanitation District (SD) is also proposed. Staff recommends approval with modifications to the establishment of a wastewater-specific sphere to include *special study areas* comprising two adjacent planned developments currently under review by the County of San Diego: Valiano-Eden Hills and Harmony Grove Village South. Standard terms are also recommended. A listing of subject parcels is provided.

BACKGROUND

[Applicant Request |](#) [Affected Territory as Proposed](#)

San Diego LAFCO has received a proposal from the Rincon del Diablo MWD requesting Commission approval for a series of actions to assume wastewater

services for the HGV site from San Diego County SD. The affected territory is specific to the existing HGV wastewater service area of the SD and spans approximately 425.20 unincorporated acres immediately southwest of the City of Escondido. HGV was developed beginning in 2007 and divided between three distinct phases. It includes two designated commercial sites, one two-acre fire station site, one two-acre institutional site, park areas, and village hall. It also includes an onsite wastewater reclamation facility to be owned and operated by San Diego County SD.¹ The San Diego County Registrar of Voters has confirmed a present total of 338 registered voters within the affected territory. Staff estimates the resident population within the affected territory at build out as approximately 2,500.

Subject Agencies

The proposal involves two subject agencies: Rincon del Diablo MWD and the San Diego County SD.² A summary description of the two subject agencies follows.

- Rincon del Diablo MWD is an independent special district formed in 1954 and governed by a five-member Board, each representing a geographic area within the MWD. Directors are elected by the voters within their divisions for four-year staggered terms. Rincon del Diablo MWD's jurisdictional boundary spans close to 42 square miles and comprises most – but not all – of the City of Escondido and surrounding unincorporated lands and includes HGV.³ It is currently authorized to provide three distinct services: domestic water; recycled water; and fire protection and emergency medical.⁴ Staff estimates Rincon del Diablo MWD's resident population currently at 126,062. LAFCO most recently reviewed and affirmed Rincon del Diablo MWD's sphere in 2007. The audited undesignated fund balance of July 30th 2016 totaled \$16.7 million and represents 16+ months of current budgeted operating expenses.
- San Diego County SD is a dependent special district governed by the County Board of Supervisors and operated therein by Public Works. It was formed in 2011 as part of a countywide consolidation of dependent sewer districts and provides wastewater services within an approximate 47 square mile jurisdictional boundary that comprises several non-contiguous service areas – including HGV.⁵ The estimated resident service population in the jurisdictional boundary is 120,000 with approximately 2,500 attributed to the HGV Specific Plan at build out. LAFCO most recently reviewed and affirmed San Diego County Sanitation SD sphere in 2010. The ending unrestricted net position as of July 30, 2017 for the County totaled (\$1.1 billion) due to pension liability reporting requirements, with a total net position of \$2.8 billion.

¹ The wastewater reclamation facility has a designed treatment capacity of 180,000 gallons per day. Wastewater effluent generated within the HGV is currently collected and hauled by the developer to a regional treatment facility for disposal until the facility has sufficient daily flow to support continuous operation. Additional details are provided in Appendix B.

² State law defines "subject agency" to mean any district or city for which a change or organization or reorganization is proposed.

³ "Old Escondido" generally consists of the downtown and historical residential area of the City and lies outside Rincon del Diablo MWD.

⁴ Rincon del Diablo MWD's fire protection and emergency medical services are limited to approximately one-third of its jurisdictional boundary with the majority of responsibility tied to its southern perimeter.

⁵ SDCSD resulted from a reorganization effective July 1, 2011, which: (1) dissolved the Alpine, Julian, Lakeside, and Pine Valley County Sanitation Districts; (2) annexed the former districts' territory to Spring Valley SD; (3) annexed territory in the East Otay Mesa, Harmony Grove, Winter Gardens, and Campo Sewer Maintenance Districts to the Spring Valley SD; and (4) renamed Spring Valley SD as SDCSD.

Affected Local Agencies

The affected territory lies within the jurisdictional boundaries of the following local agencies directly subject to San Diego LAFCO.⁶

- Rancho Santa Fe Fire Protection District
- CSA No. 135 (Regional Communications)
- San Diego County Street Lighting District
- San Diego County Flood Control District
- North County Cemetery District
- Palomar Health Healthcare District
- Resource Conservation District of Greater San Diego County

DISCUSSION

This item is for San Diego LAFCO to consider approving – with or without modifications – the applicant’s proposal and series of actions therein to assume wastewater services within the existing HGV service area of the San Diego County SD. The Commission may also consider applying conditions so long as it does not directly regulate land use, property development, or subdivision requirements. Specific action approvals underlying the proposal as filed with the Commission follows:

- Approve and establish a secondary wastewater-specific sphere of influence for Rincon del Diablo MWD coterminous with the approximate 425.20 acre affected territory;
- Approve and establish an activated wastewater latent power area for Rincon del Diablo MWD coterminous with the approximate 425.20 acre affected territory; and
- Approve the detachment of the affected territory from San Diego County SD.

Proposal Purpose

The purpose of the proposal is to authorize the Rincon del Diablo MWD to assume wastewater collection and treatment services within HGV from San Diego County SD. The proposal is supported by San Diego County SD and follows nearly three years of discussions between the two agencies. It is premised on the agencies’ shared determination that Rincon del Diablo MWD is best positioned to manage wastewater service for HGV going forward. Additionally, approval would provide Rincon del Diablo MWD with a permanent and internal source of recycled water for subsequent retail delivery within its jurisdictional boundary.⁷

⁶ State law defines “affected local agency” as any entity that contains, or would contain, or whose sphere of influence contains or would contain, any territory for which a change or organization is proposed or ordered.

⁷ Rincon del Diablo MWD currently purchases recycled water supplies from the City of Escondido.

Development Potential

The affected territory as proposed and detailed in Appendix A is planned by the County of San Diego for moderate residential density under the General Plan and further detailed in the Harmony Grove Village Specific Plan. The Specific Plan was adopted in 2007 in step with an amendment to the General Plan. It provides a master-planned community spanning 468 acres with a range of detached and market rate housing and physically anchored by a “Village Center” consisting of commercial and public amenity uses. In all, 742 dwelling units are planned within the affected territory through the Specific Plan.⁸

Commission Focus

Staff has identified three central and sequential policy items for San Diego LAFCO in considering the proposal merits. These central policy items for Commission consideration are the stand-alone merits of (a) establishing a sewer service-specific sphere for Rincon del Diablo MWD; (b) timing of the reorganization to establish an activated wastewater latent power area for Rincon del Diablo MWD and concurrent detachment from San Diego County SD; and (c) whether discretionary modifications or terms are appropriate. Secondly, the Commission must also consider other relevant statutes outside of LAFCO law as detailed.

ANALYSIS

The analysis of the proposal is organized into two subsections. The first subsection considers the three central policy issues introduced in the preceding section. This pertains to evaluating the merits of establishing a secondary wastewater-specific sphere for Rincon del Diablo MWD, timing of the associated reorganization involving Rincon del Diablo MWD and San Diego County SD, and whether approval modifications and/or terms are appropriate. The second subsection considers issues required by other applicable State statutes and highlighted by making findings under the California Environmental Quality Act (CEQA).

Central Policy Items

Item No. 1 |

Establishing a Wastewater Service-Specific Sphere for Rincon del Diablo MWD

The proposed reorganization for Rincon del Diablo MWD to assume wastewater services from San Diego County SD necessitates a preceding action by the Commission. This preceding action is drawn from local policy and practice and involves the establishment of a secondary sphere designation for Rincon del Diablo MWD specific to wastewater. The purpose of establishing a wastewater-specific sphere is to fulfil LAFCO’s statutory task to designate the area the Commission believes is the appropriate current and future wastewater service area and to facilitate planning (community, capital, etc.) going forward. Accordingly, staff believes

⁸ No additional development potential presently exists within the HGV Specific Plan area and the proposed reorganization does not involve changes to the existing land uses or zoning.

it would be appropriate to proceed with establishing a wastewater-specific sphere coterminous with the existing SD service area given three related policy factors. First, the present and planned land uses in the area explicitly merit public wastewater services within the existing SD service area. Second, and as further detailed below, Rincon del Diablo MWD appears advantageously positioned to assume wastewater services within the area at an equal or higher level of service. Third, the area already lies within Rincon del Diablo MWD's parent sphere and jurisdictional boundary. Creating a coterminous wastewater-specific sphere serves to reinforce social and economic communities of interest already existing and helps to facilitate the simplification of government structure and improving accountability.

Conclusion:

Establishing a secondary wastewater-specific sphere for Rincon del Diablo MWD coterminous with the affected territory is justified under LAFCO law and adopted policy.

**Item No. 2 |
Reorganization Timing**

Rincon del Diablo MWD is requesting activation of its wastewater service latent power within the existing approximate 425.20 acre HGV wastewater service area to allow the District to assume wastewater service responsibility from the San Diego County SD. This action would require a concurrent detachment of the affected territory from San Diego SD to avoid overlapping and duplicative boundaries, and as such constitutes a "reorganization" under LAFCO law. The timing of the requested latent power activation appears appropriate and highlighted by the analysis of the 16 factors required for consideration under LAFCO law anytime boundary changes – including latent power activations – are considered. The majority of the prescribed factors under LAFCO law focus on the impacts of the proposed action on the service and financial capacities of the subject agencies with a focus on the receiving entity: Rincon del Diablo MWD. No single factor is determinative and the intent is to provide a uniform baseline for LAFCOs in considering all boundary changes in context to the Commission's own adopted policies and practices. A summary of key conclusions generated in the review of these factors follows with a complete analysis provided in Appendix B.

- The reorganization is supported by the two subject agencies and includes a thoughtful transition plan in which all existing wastewater infrastructure will be transferred. Rincon del Diablo MWD has also made arrangements to contract with Dudek Engineering to oversee daily wastewater operations at the time of the transfer.
- Existing wastewater collection and treatment capacities are sufficient to accommodate projected demands within the affected territory. There will be no new and adverse impacts to the wastewater system will be generated as a result of the reorganization.
- Rincon del Diablo MWD has established effective governance and administrative controls and highlighted by having sufficient financial resources to assume wastewater services in the affected territory without impacting existing ratepayers.

- The affected territory already lies within Rincon del Diablo MWD's jurisdictional boundary. Expanding the District's powers to include wastewater provides allows synchronizing of water and wastewater services in the affected territory and opportunities therein to create new economies of scale for the benefit of ratepayers.

Conclusion:

The timing of the reorganization is justified under LAFCO law and adopted policy.

Item No. 3 |

Modification and Terms

Staff has identified one discretionary modification to the proposal meriting action. This modification is specific to establishing a wastewater-specific sphere; no changes are proposed to the reorganization (i.e., the activated latent power wastewater boundary). The modification involves designating two special study areas to the establishment of the wastewater-specific sphere for Rincon del Diablo MWD to demark the Commission's intention to revisit the merits of officially adding the subject lands in the future, if approved by the County of San Diego. The recommended special study areas cover two proposed residential development projects adjacent to the affected territory and presently under review by the County of San Diego: Valiano – Eden Hills (TM 5575) and Harmony Grove Village South (TM5600). Both of these proposed residential developments are pending approval by the County and include wastewater service arrangement alternatives that would involve LAFCO approvals with one such option involving potential connection to the HGV system. Adding these study areas provide policy signals to Rincon del Diablo MWD and the County they should work with LAFCO in determining appropriate wastewater arrangements for the referenced projects consistent with local conditions. The application of standard approval terms appears sufficient and are recommended as detailed in the accompanying footnote.⁹

Conclusion:

One discretionary modification appears appropriate and is specific to the designation of special study areas for Rincon del Diablo MWD in step with establishing a wastewater-specific sphere. The special study areas include the Valiano-Eden Hills and Harmony Grove Village South development projects currently under review by the County of San Diego. Standard terms are sufficient.

⁹ These standard terms include requiring the applicant to coordinate with the real party of interest to submit outstanding fees, prepare a final map and description of the affected territory with any required modifications, and complete the necessary reconsideration periods under both LAFCO law and CEQA.

Other Statutory Considerations

Exchange of Property Tax Revenues

California Revenue and Taxation Code Section 99(b)(6) requires the adoption of a property tax exchange agreement by the affected local agencies before LAFCO can consider a jurisdictional change, unless an applicable master property tax transfer agreement is adopted per Revenue and Taxation Code Section 99(d). The San Diego County Board of Supervisors has adopted a Master Enterprise District Resolution (MEDR) which will govern the exchange of property taxes associated with the proposed reorganization. The application of this master agreement will result in no exchange.

Environmental Review

Rincon del Diablo MWD serves as the lead agency for assessing potential impacts of the proposal under CEQA given the District has initiated the reorganization proceedings. Rincon del Diablo MWD has determined the action is a project under CEQA, but qualifies for an exemption under Public Resources Code Section 15320 given affected territory is already within an authorized wastewater service provider and the reorganization will not change the geographic area where services are presently authorized. Staff concurs with the determination by the Rincon del Diablo MWD and recommends the Commission – as the responsible agency under CEQA – should proceed with a concurrent finding.

Protest Proceedings

The reorganization's affected territory is considered inhabited as defined under LAFCO law as it contains more than 12 registered voters. The proposed reorganization does not include 100% written consent from all landowners and registered voters. Accordingly, if approved, the Executive Officer shall be delegated the authority to conduct protest proceedings pursuant to Government Code Section 57000. The Executive Officer will ultimately return with the results of the protest proceedings for Commission confirmation at a future meeting with further details provided in Attachment 4.

ALTERNATIVES FOR ACTION

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

(over)

Alternative One (Recommended):

- a) Accept and incorporate the analysis of the Executive Officer's written report.
- b) Concur with the determination by Rincon del Diablo MWD that this reorganization and coterminous wastewater service-specific sphere establishment is a project under CEQA, but exempt from additional review pursuant to Section 15320 of the State CEQA Guidelines because the proposed reorganization does not change the geographic area in which previously existing powers are exercised.
- c) Determine the affected territory as inhabited and direct the Executive Officer to initiate protest proceedings pursuant to Part 4 (commencing with Section 57000) in compliance with the resolution.
- d) Adopt the form of resolution approving the "Harmony Grove Village Wastewater Reorganization" [RO17-10; SI(S)17-10; LP(A)17-10; DD17-10]. The resolution shall include the following provisions
 - Establishment of a wastewater service-specific sphere for Rincon del Diablo is approved as coterminous with the 425.2 acre affected territory as proposed;
 - Establishment of an activated wastewater latent power area for Rincon del Diablo MWD is approved within the existing approximate 425.20 affected territory along with designation of two special study areas to include the adjacent Valiano-Eden Hills and Harmony Grove Village South proposed project areas. Statements provided in Appendix A included;
 - Reference CEQA exemption;
 - Protest provisions apply; and
 - Standard terms apply as follows and must be satisfied within 12 months year unless a time extension is approved by the Commission:
 - Completion of the 30-day reconsideration period.
 - Submittal of a final map and geographic description of the affected territory as approved by the Commission conforming to the requirements of the State Board of Equalization – Tax Services Division.
 - Payment of any outstanding fees generated in the processing of the proposal pursuant to the LAFCO Fee Schedule.

Alternative Two:

Continue consideration to a time-specified regular meeting and provide direction to staff concerning additional information, as needed.

Alternative Three:

Disapprove the proposal.

RECOMMENDATION

Staff recommends the Commission proceed with Alternative One.

PROCEDURES FOR CONSIDERATION

This item has been placed on the agenda as part of a noticed public hearing.¹⁰ The following procedures, accordingly, are recommended in the consideration of this item:

- 1) Receive verbal report from staff;
- 2) Invite comments from the applicant or representatives
- 3) Open the hearing and invite audience comments (mandatory); and
- 4) Close the hearing, discuss item, and consider action on recommendation.

On behalf of staff,



Robert Barry, AICP
Chief Policy Analyst

Attachments:

- 1) Vicinity Map of the Affected Territory
- 2) Rincon del Diablo MWD Resolution of Application
- 3) Listing of all Affected APNs in Affected Territory
- 4) Summary of Protest Proceedings

(Submitted Application Materials available at http://www.sdlafco.org/Webpages/meeting_schedule_2018.htm)

¹⁰ LAFCO law requires all sphere changes be considered at noticed public hearings (G.C. Section 56427).

San Diego LAFCO

June 4, 2018 Regular Meeting

Agenda Item No. 8 | Harmony Grove Reorganization | Rincon del Diablo MWD and San Diego County SD

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APPENDIX A

Statement of Determinations Sphere of Influence Factors

In determining the sphere of influence of each local agency, the commission shall consider and prepare a written statement of its determinations with respect to each of the following:

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

The proposed reorganization involves the transfer of wastewater service responsibility from San Diego County SD to Rincon del Diablo MWD involving the HGV site. The HGV Specific Plan was approved by the County Board of Supervisors in 2007. Approval of the proposed reorganization and establishment of a coterminous wastewater-specific sphere would be consistent with the HGV Specific Plan and the County General Plan. The present and planned land uses within the HGV Specific Plan include residential, commercial, open space, and park and recreational uses. There are no agricultural lands within the proposal area.

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

The affected territory – HGV – is already receiving public wastewater services from the San Diego County SD. These services support the existing and planned urban type uses in the affected territory. Establishing a coterminous wastewater-specific sphere for Rincon del Diablo MWD to assume wastewater responsibilities for the affected territory as the preferred alternative provider going forward is appropriate.

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

The existing wastewater infrastructure serving the affected territory is adequately sized to accommodate current and future demands within the affected territory. Rincon del Diablo MWD will assume ownership and operation of these facilities in step with its negotiated transfer with the San Diego County SD.

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.

The Commission has not determined that social or economic communities of interest relevant to the agency exist in the area.

- 5) For an update of a sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.**
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The establishment of a wastewater-specific sphere does not involve an update to the adopted sphere of influence for the Rincon del Diablo MWD; therefore the determination is not applicable.

APPENDIX B

ANALYSIS OF MANDATORY PROPOSAL REVIEW FACTORS GOVERNMENT CODE SECTION 56668

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

The proposed reorganization area consists of the existing wastewater service area of the Harmony Grove Village (HGV). The HGV is an unincorporated residential development involving 745 residential units over approximately 468 acres (1.6 dwelling units per acre). HGV residential lots range in size from under 5,000 square feet to over two acres. The HGV area is located southeast of the City of San Marcos and west of the City of Escondido within the unincorporated San Dieguito Community Planning Area. The County of San Diego Board of Supervisors approved the HGV Specific Plan in 2007. The HGV Specific Plan area is subject to the land use designations of the County General Plan and the zoning designations adopted by the Board of Supervisors. Land uses within the HGV Specific Plan include residential, commercial, open space, and park and recreational uses.

The topography within the HGV is varied, with the central area consisting of flat, valley-like topography approximately 560 feet above mean sea level (amsl) and the surrounding areas rising to a high of approximately 940 feet amsl in the southeast corner. Elevations along the western and northwestern HGV boundaries rise to approximately 700-800 feet amsl. A slope analysis prepared for the HGV EIR shows that more than half of the HGV contains less than 15 percent slope and approximately one-quarter of the site has slopes exceeding 25 percent; however, 9 percent of the site is at more than a 50 percent slope. The Escondido Creek crosses the HGV in an east-west direction, south of Harmony Grove Road. A tributary to Escondido Creek cuts through the middle of HGV, in a north-south direction.

The HGV is presently located within the Rincon del Diablo MWD adopted sphere of influence and authorized water/recycled water service area. As of 2016, the total population within the MWD service area was estimated at 126,062. Total HGV population at build-out is projected at approximately 2,500, which would correspond to a population density of approximately 5 people per acre. Total assessed valuation (land) for the proposal area is \$101,757,884. Applying the projected build out population, the estimated per capita assessed valuation is \$40,703.

Significant growth beyond the adopted HGV Specific Plan area is not anticipated within the proposal area during the next 10 years. There are two proposed residential developments adjacent to the HGV Specific Plan area that may result in significant growth during the next 10 years if approved by the County Board of Supervisors. The Valiano (TM5575) and Harmony Grove South (TM5600) projects are currently under review by the County.

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

The Harmony Grove Village (HGV) Specific Plan area is presently located within the adopted spheres of influence and authorized service areas for the Rincon del Diablo MWD (water and recycled water services); the San Diego County SD (wastewater collection and treatment services); and the Rancho Santa Fe FPD (structural fire protection and emergency medical services). Each of the local special district service providers has adequate infrastructure and available services to serve the needs of the proposed reorganization area. The special district service providers were most recently reviewed by LAFCO in 2013 and determined to adequately providing their authorized services within their respective service areas. The probable future needs for services has been addressed through the local agency service planning documents and capital improvement programs. The Rincon del Diablo MWD's Water Master Plan Update was completed June 2014. The MWD's master plan is updated every five years and combines all facilities planning efforts within the District's enterprise areas of potable and recycled water.

The proposed reorganization involves the transfer of wastewater service responsibility for the HGV service area from the San Diego County SD to the Rincon del Diablo MWD. As the proposal does not involve an expansion of the existing wastewater service area or an expansion of the level of planned wastewater service, no effects on the cost and adequacy of services and controls in the area and adjacent areas are anticipated. Once sufficient flow allows the WRF to become operational, the WRF is planned to receive an average daily flow of 0.18 million gallons per day (MGD), with a projected peak flow of 0.71 MGD. Land uses generating wastewater include residential, commercial, institutional, and a fire station and park. Potable water and recycled water will be provided by the Rincon del Diablo Water District. The following table summarizes the HGV WRF wastewater criteria and projected volumes under average and peak flow conditions under buildout.

HGV WRF Wastewater Criteria

Criteria		
Single Family Home Wastewater Flow	240	Gallons/day/EDU
Minimum Sewer Diameter	8	Inches
Minimum Pipe Slope for 8-inch Diameter Pipeline	0.4	Feet per 100 feet
Depth to Diameter ratio (d/D) for pipelines less than or equal to 15-inch diameter	0.5	-
d/D for pipelines greater than 15-inch diameter	0.75	-
Manning Coefficient (n)	0.013	-
Commercial Flow rates	500	Gallons/day/acre
Institutional/Fire Station Flow Rates	1,500	Gallons/day/acre

HGV WRF Projected Wastewater Volumes

Site HGV Development ¹	Unit/Acres	Unit (gpd/unit)	Average Flc (gpd)	PDWF ² (gpd)	PWWF ² (gpd)
Single Family Residential	745 units	215	160,000	192,000	337,600
Commercial, Parks, Institutional, Etc.	N/A	Various	20,000	24,000	42,200
Total			180,000	216,000	379,800

¹ Data from Rick Engineering Sewer Study for Harmony Grove Village (July 2014)

² PDWF = Peak Dry Weather Flow, PWWF = Peak Wet Weather Flow

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

The proposed reorganization involves the transfer of wastewater service responsibility for the HGV service area from the San Diego County SD to the Rincon del Diablo MWD. As the proposal does not involve an expansion of the existing wastewater service area or an expansion of the level of planned wastewater service, no effects on adjacent areas, on mutual social and economic interests, and on the local governmental structure of the county are anticipated.

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

The proposed reorganization area is part of the Harmony Grove Village (HGV) Specific Plan, which was approved by the County of San Diego Board of Supervisors in 2007. The proposed reorganization involves the transfer of wastewater service responsibility for the HGV service area from the San Diego County SD to the Rincon del Diablo MWD. The anticipated effects of the proposal would be to authorize the Rincon del Diablo MWD to provide wastewater collection and treatment within the existing HGV wastewater service area in addition to the MWD's presently provided water and recycled water services. Approval of the proposed reorganization would be in accordance with the HGV Specific Plan and the County General Plan, and would thereby support the planned, orderly, efficient pattern of urban development. The HGV Specific Plan includes open space land use designations that prohibit uses other than open space in accordance with the policies and priorities of Government Code Section 56377.

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

The proposed reorganization area does not qualify as “agricultural lands” under Government Code Section 56016 because the lands within the proposal area are not used for any of the following purposes: producing an agricultural commodity for commercial purposes; left fallow under a crop rotational program; or enrolled in an agricultural subsidy program.

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

The boundaries of the proposed reorganization territory as submitted are the same as the boundaries for the existing HGV wastewater service area and coterminous sphere of influence of the San Diego County SD. The San Diego County Assessor has confirmed the definiteness and certainty of the submitted legal description and map for the proposed reorganization. The Assessor report for the proposal indicates that the proposed boundaries conform with lines of assessment or ownership and do not involve the creation of islands or corridors of unincorporated territory.

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

The San Diego Association of Governments (SANDAG) is the local transportation planning agency for the San Diego Region. Government Code Section 65080 requires a transportation planning agency to prepare and adopt a regional transportation plan directed at achieving a coordinated and balanced regional transportation system, including, but not limited to, mass transportation, highway, railroad, maritime, bicycle, pedestrian, goods movement, and aviation facilities and services. The SANDAG Board of Directors adopted *San Diego Forward: The Regional Plan* on October 9, 2015, which serves as the regional transportation plan for the San Diego Region. The proposed reorganization would not conflict with the regional transportation plan.

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

The proposed reorganization involves the transfer of wastewater service responsibility for the HGV service area from the San Diego County SD to the Rincon del Diablo MWD. The HGV Specific Plan was approved by the County Board of Supervisors in 2007. Approval of the proposed reorganization would be consistent with the HGV Specific Plan and land use designations of the County General Plan.

9) The sphere of influence of any local agency affected by or applicable to the proposal.

The HGV Specific Plan area is presently located within the adopted spheres of influence and authorized service areas for the Rincon del Diablo MWD (water and recycled water services); the San Diego County SD (wastewater collection and treatment services); and the Rancho Santa Fe FPD (structural fire protection and emergency medical services). The proposed reorganization involves the transfer of wastewater service responsibility for the existing HGV wastewater service area from the San Diego County SD to the Rincon del Diablo MWD. Approval of the proposed reorganization would be consistent with the adopted spheres of the affected local agencies.

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

LAFCO provided notice of the proposal to all subject agencies and other interested public agencies as required under State Law. No written comments were received from subject agencies or other interested public agencies; however, in a letter dated May 21, 2018, the San Dieguito Community Planning Group indicated its opposition to the proposal. The San Dieguito Community Planning Group is the designated advisory body to the County Board of Supervisors on local land use matters in the unincorporated San Dieguito Community Planning Area. The purview of the San Dieguito Community Planning Group is limited to community issues related to planning or land use.

The opposition letter stated that, on May 10, 2018, the San Dieguito Community Planning Group (SDCPG), the group voted to oppose the proposed reorganization on a vote of 8-0, with one abstention and three members either absent or vacant. The SDCPG's letter of opposition noted that the current operation of the HGV WRF by the San Diego County SD is limited to the existing wastewater service area of HGV. The SDCPG states that this limitation was put into place to protect the surrounding rural residential communities from future unchecked suburban growth.

The SDCPG believes that the proposed reorganization does not carry over this service boundary limit and provides no restriction on the Rincon del Diablo MWD from expanding the current wastewater service area or the designed treatment capacity of the WRF. The SDCPG notes that the community planning documents for Harmony Grove, (including HGV), Eden Valley and Elfin Forest require that the HGV WRF be limited in perpetuity to the existing wastewater service area of the San Diego County SD. The SDCPG concludes that there does not appear to be a rational reason for a Municipal Water District (Rincon del Diablo) with no waste water or sewage treatment expertise to take over a wastewater treatment facility from an established Sanitation District (County of San Diego).

LAFCO Staff Response –

Staff has researched the County's 2007 approvals for the HGV Specific Plan and environmental

documents and determined that no binding restriction was adopted by the County that would legally preclude the possibility for expansion of the existing wastewater service area or WRF treatment capacity. As the County Board of Supervisors is the land use authority for the unincorporated territory of San Diego County, any future local demands for wastewater service involving proposed expansion of the existing wastewater service area or WRF treatment capacity would be subject to the Board's discretionary authority. If the Board of Supervisors were to approve new development in the local area that required connection to or expansion of the existing wastewater service area or the WRF treatment capacity, application to LAFCO for sphere of influence and jurisdictional changes would be required. These LAFCO application and approval requirements would be in effect regardless of the nature of the public agency responsible for wastewater service in the local unincorporated area.

The MWD has adopted a Wastewater Master Service Plan in 2017 that evaluates the existing HGV WRF and states the MWD's intention to operate the facility as currently designed. In addition, concurrently with the proposed activation of the MWD's wastewater service latent power, staff is recommending that the Commission establish a wastewater service-specific sphere of influence for the Rincon del Diablo MWD. This service-specific sphere would be coterminous with the existing San Diego County SD sphere that is coterminous with the HGV wastewater service area. The recommended latent power activation and service-specific sphere of influence for the MWD would duplicate the present wastewater service provision arrangement for the HGV. LAFCO staff's conclusion is that the proposed reorganization would provide the same level of legal constraints for the potential expansion of the existing HGV wastewater service area and sphere of influence of the SD.

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

The proposed reorganization involves the transfer of wastewater service responsibility for the HGV service area from the San Diego County SD to the Rincon del Diablo MWD. Information collected and reviewed as part of this proposal indicates Rincon del Diablo MWD has sufficient financial resources and administrative controls therein relative to providing public wastewater to the affected territory without adversely impacting existing ratepayers. This statement is supported by the following factors.

- Rincon del Diablo MWD's last audit covers FY 2015 and 2016 and shows the MWD finished with good liquidity levels with an agency-wide current ratio of 9.6 (i.e., \$9.60 in current assets for every \$1.00 in current liabilities).

- Rincon del Diablo MWD finished 2016-2017 with moderate capital as evident by a debt ratio of 23.2% (i.e., only \$23.20 out of every \$100.00 in net assets are financed.)
- Rincon del Diablo MWD has remained profitable in each of the last two audited fiscal years with an average operating margin of 11.25%. The most recent year – FY 2016-2017 – the operating margin was 9.0%.
- Rincon del Diablo MWD has a positive balance in its FY 2015 and 2016 unrestricted net position of \$16,695,045 and \$16,105,214, respectively, which may be utilized in future years.
- As part of the proposed reorganization Rincon del Diablo MWD will be adopting the existing San Diego County SD financial plan and rate structure for the HGV wastewater service area and WRF.

A Harmony Grove Sewer Service Area Sewer Service - Rate Study was prepared for the San Diego County SD in 2014. The 2014 rate study determined an annual fee of \$780 per EDU. The San Diego County SD has conditioned the collection of sewer fees by placing it on the property tax rolls, and Rincon del Diablo MWD has indicated that it will continue this practice. Rincon del Diablo MWD's analysis of the SD's financial plan states that the rate structure is sufficient in the early years to provide revenue to operate the WRF. The MWD's sewer master plan prepared by Dudek in September 2017 determined that the approximate wastewater service cost is closer to \$797 per EDU for operations and maintenance, however, this is based on 2017 costs versus 2014 or 2015. The 2017 Rincon del Diablo MWD sewer master plan is available for download along with the submitted LAFCO application materials at http://www.sdlafco.org/Webpages/meeting_schedule_2018.htm.

Rincon del Diablo MWD is presently in discussion with San Diego County SD to establish an escrow account or provide a lump sum deposit for the first year of operations and maintenance costs, as the County has yet to start collecting fees/taxes on homes that are currently inhabited. The affected agencies are also in discussion related to other supporting documentation, including quitclaim documents and a Local Sewer Facilities Transfer Agreement. The MWD states that the transfer of wastewater service responsibility for the HGV service area from the San Diego County SD will capture efficiencies and economies of scale by consolidating some of its administrative operations.

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

The proposed reorganization involves the transfer of wastewater service responsibility for the HGV service area from the San Diego County SD to the Rincon del Diablo MWD. The HGV Specific Plan was approved by the County of San Diego in 2007 and evaluated water supply adequacy as part of its adopted environmental documentation. The HGV area is presently located within the adopted sphere of influence and authorized water service area for the

Rincon del Diablo MWD. No changes to the present water service provision to the HGV is proposed as part of the subject reorganization. The Rincon del Diablo MWD is a member agency of the San Diego County Water Authority (CWA) and purchases 100% of its potable water supply from CWA imported water sources.

13) The extent to which the proposal will affect a city or cities and the county in achieving their respective fair shares of the regional housing needs as determined by the San Diego Association of Governments.

The proposed reorganization involves the transfer of wastewater service responsibility for the existing HGV service area from the San Diego County SD to the Rincon del Diablo MWD. The reorganization would not impact any local agencies in accommodating their regional housing needs. All potential residential units associated with the Harmony Grove Village Specific Plan are already assigned to the County of San Diego by SANDAG, and the proposed reorganization would not affect this designation.

14) Any information or comments from the landowner or owners, voters, or residents of the affected territory.

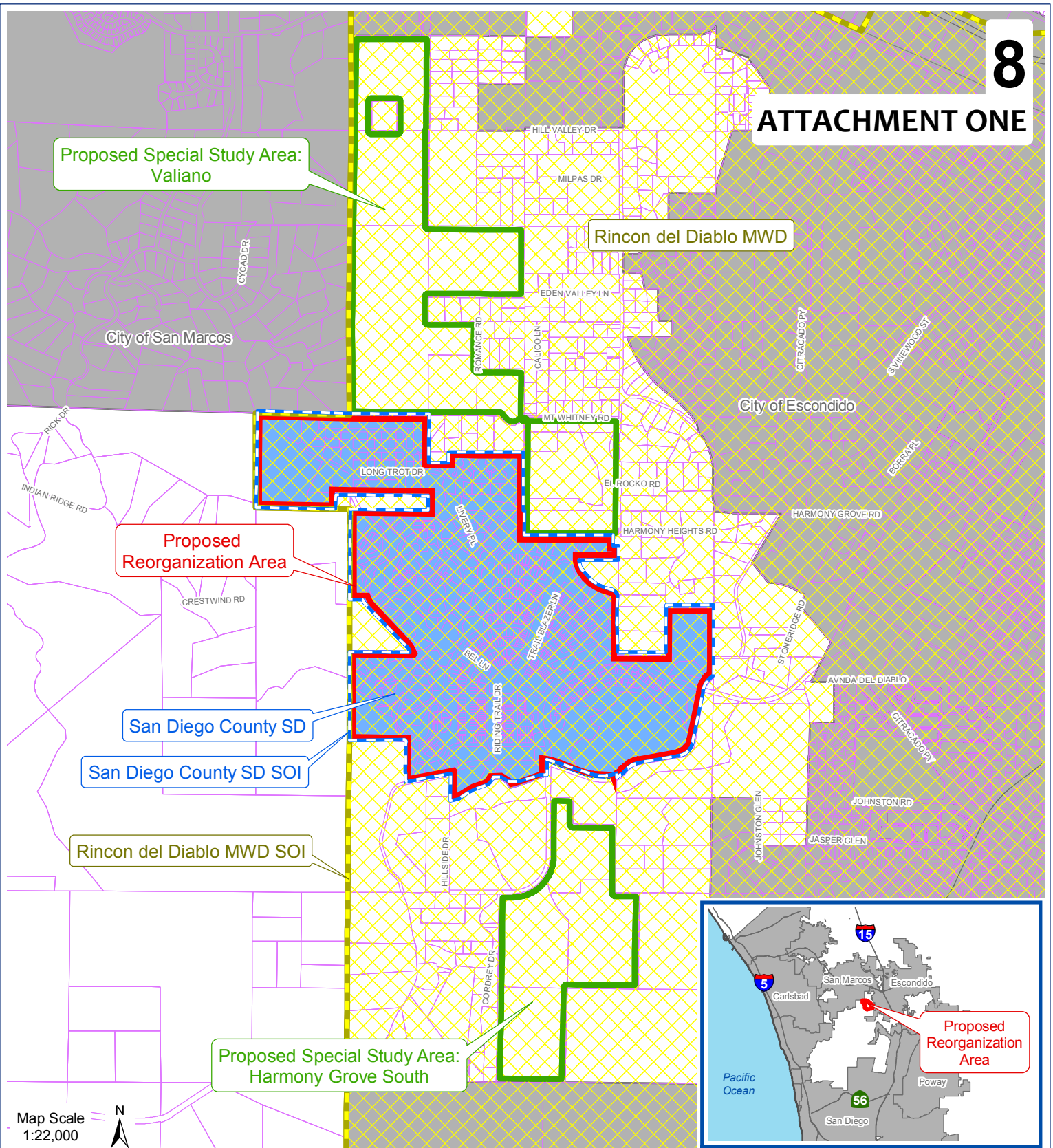
Staff provided notice of the proposal to all landowners and registered voters as required under LAFCO law. No written comments were received.

15) Any information relating to existing land use designations.

The existing land use designations for the proposed reorganization area were established in 2007 with the County's approval of the Harmony Grove Village Specific Plan. The proposed reorganization does not involve any changes to the existing land use designations.

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

As used in this review factor, "environmental justice" means the fair treatment of people of all races, cultures, and incomes with respect to the location of public facilities and the provision of public services. The proposed reorganization involves the transfer of wastewater service responsibility for the existing HGV service area from the San Diego County SD to the Rincon del Diablo MWD and is not expected or intended to promote environmental justice. The County Board of Supervisors approved the HGV Specific Plan and certified an Environmental Impact Report (EIR) for the project in 2007.



--Illustration Purposes Only--

RO17-10
SI(S)17-10
LP(A)17-10
DD17-10

PROPOSED "HARMONY GROVE VILLAGE WASTEWATER REORGANIZATION" (RINCON DEL DIABLO MWD; SAN DIEGO COUNTY SD)

SOI = Sphere of Influence

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RESOLUTION NO. 17-08

**A RESOLUTION OF APPLICATION BY
THE RINCON DEL DIABLO MUNICIPAL WATER DISTRICT
REQUESTING THE LOCAL AGENCY FORMATION COMMISSION
TO INITIATE PROCEEDINGS TO ACTIVATE LATENT SEWER POWERS AND
FOR THE REORGANIZATION OF TERRITORY**

RESOLVED by the Board of Directors of the Rincon del Diablo Municipal Water District that,

WHEREAS, the Rincon del Diablo Municipal Water District (DISTRICT), desires to initiate proceedings pursuant to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, commencing with Section 56000 of the California Government Code, for latent sewer power activation and reorganization which would concurrently:

- a. authorize DISTRICT to exercise its latent powers available under the Municipal Water Act of 1911 and Water Code Sections 71590 and 71670; and
- b. authorize DISTRICT to provide new service (local sewer service); and
- c. activate latent sewer powers within certain territory of DISTRICT (Establishment of a service-specific sphere of influence to be coterminous with the existing SDCSD sphere for the HGV project area).

The proposal would result in DISTRICT providing local sewer services in certain specified areas where such services are currently provided by San Diego County Sanitation District ("SDCSD"); and,

WHEREAS, the principal reasons for the proposed reorganization are as follows:

- a. The DISTRICT, with the intent of minimizing community impact and lowering overall cost, is pursuing LAFCO approval for activation of its latent sewer powers afforded it under Municipal Water District Act of 1911 and Water Code Sections 71590 and 71670. The San Diego County Sanitation District (SDCSD) authorized service area currently includes the Harmony Grove Village (HGV) project area.
- b. By taking over operation of the HGV project area, the DISTRICT will provide local management and operation of wastewater collection, treatment and disposal functions, along with providing potable water and recycled water service within its already established sphere of influence and service area, which includes the HGV project area.
- c. The DISTRICT'S intention is to achieve greater administrative economies of scale to the benefit of its water (and future sewer) customers, through increased responsiveness, service reliability and estimated lower overall costs to HGV residents by acquiring the HGV wastewater collection and treatment facilities. The activation of latent sewer powers within DISTRICT existing sphere and service area is a sensible governance solution for its existing residents. The proposal provides continuance of quality DISTRICT will endeavor to reduce overall costs, increase operation and maintenance

efficiency, improve local water quality and controls, and maintain compliance with the San Diego Regional Water Quality Control Board's (RWQCB) Basin Plan as the current lead agency. Furthermore, the local community benefits when one local agency provides multiple services, as customers are assured to receive simultaneous service, while the community benefits from more sustainable and resilient services.

- d. Therefore, SDCSD wishes to transfer responsibility for providing local sewer service in Harmony Grove Village (HGV) to DISTRICT, and DISTRICT wishes to accept responsibility for providing local sewer service in Harmony Grove Village, wherein the HGV project area will be detached from the SDCSD concurrently with activation of DISTRICT latent sewer powers; and,
- e. local governance from an existing and known service agency. Through local management, the

WHEREAS, the following agency would be affected by the proposed jurisdictional changes:

Proposed Jurisdictional Change	Agency
Establishment of a service-specific sphere of influence to be coterminous with the existing SDCSD sphere for the HGV project area	Rincon del Diablo Municipal Water District
Detachment of the HGV project area	San Diego County Sanitation District
Activation of latent sewer powers within the detached HGV project area within certain territory of DISTRICT	Rincon del Diablo Municipal Water District

WHEREAS, the territory proposed to be reorganized is under construction and partially inhabited, and a map of the boundaries of the territory ("Harmony Grove Village") is attached hereto as Exhibit A and by this reference incorporated herein; and,

WHEREAS, the Board of Directors finds that the proposal is exempt from the provisions of the California Environmental Quality Act pursuant to the CEQA Guidelines section 15320 (Cal.Code.Reg., tit. 14, § 15320). In particular, the Board finds that the reorganization will not change the geographical area in which previously existing powers are exercised. The result of the proposal, if approved, would be that DISTRICT would provide local sewer service in territory where that service was formerly provided by SDCSD; and,

WHEREAS, it is desired to provide that the proposed reorganization be subject to the following terms and conditions:

1. The effective date of the reorganization shall be upon recordation with County Recorder by LAFCO. Following the effective date, DISTRICT shall provide local sewer service within Harmony Grove Village, and SDCSD shall continue providing sewer service within its other authorized areas.
2. SDCSD's Annual Local Sewer Service User Fee ("the Fee") shall be continued and following the effective date, to the extent feasible, shall be collected by DISTRICT

rather than by SDCSD. SDCSD collects the Fee by including reporting it to the County of San Diego, which collects it on the property tax roll, and DISTRICT intends to do the same. Should it not be feasible, due to statutory or County requirements, for responsibility for collection of the Annual Local Sewer Service User Fee for the 2017-2018 fiscal year to be transferred to DISTRICT, SDCSD shall account for and promptly transmit any such revenues it receives from the County that are attributable to the Fee imposed in Harmony Grove Village.

3. The approval shall be subject to the terms and conditions set forth in the Local Sewer Facilities Transfer Agreement, date TBD, between the San Diego County Sanitation District and Rincon del Diablo Municipal Water District, specifically including those provisions set out in Section 4 pertaining to the transfer of real and personal property and the transfer of cash reserves attributable to the Local Sewer Facilities in Harmony Grove Village; and,

WHEREAS, this proposal is consistent with one or more of the adopted spheres of influence for the agencies which would be affected by reorganization; therefore, it is proposed that spheres of influence be concurrently amended to make them consistent with the proposal.

NOW, THEREFORE, this Resolution of Application is hereby adopted and approved by the Board of Directors of the Rincon del Diablo Municipal Water District, and the Local Agency Formation Commission of San Diego County is hereby requested to take proceedings for the reorganization of DISTRICT territory, and activation of latent sewer powers (new services) by DISTRICT as authorized and in the manner provided by the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000.

PASSED AND ADOPTED this 14th day of November, 2017, by the Board of Directors of the Rincon del Diablo Municipal Water District, County of San Diego, State of California, by the following vote:

AYES: Murtland, Lump, Drake, Towne, Quist

NOES:

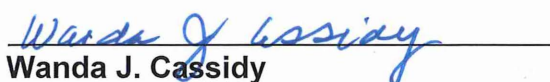
ABSTAIN:

ABSENT:



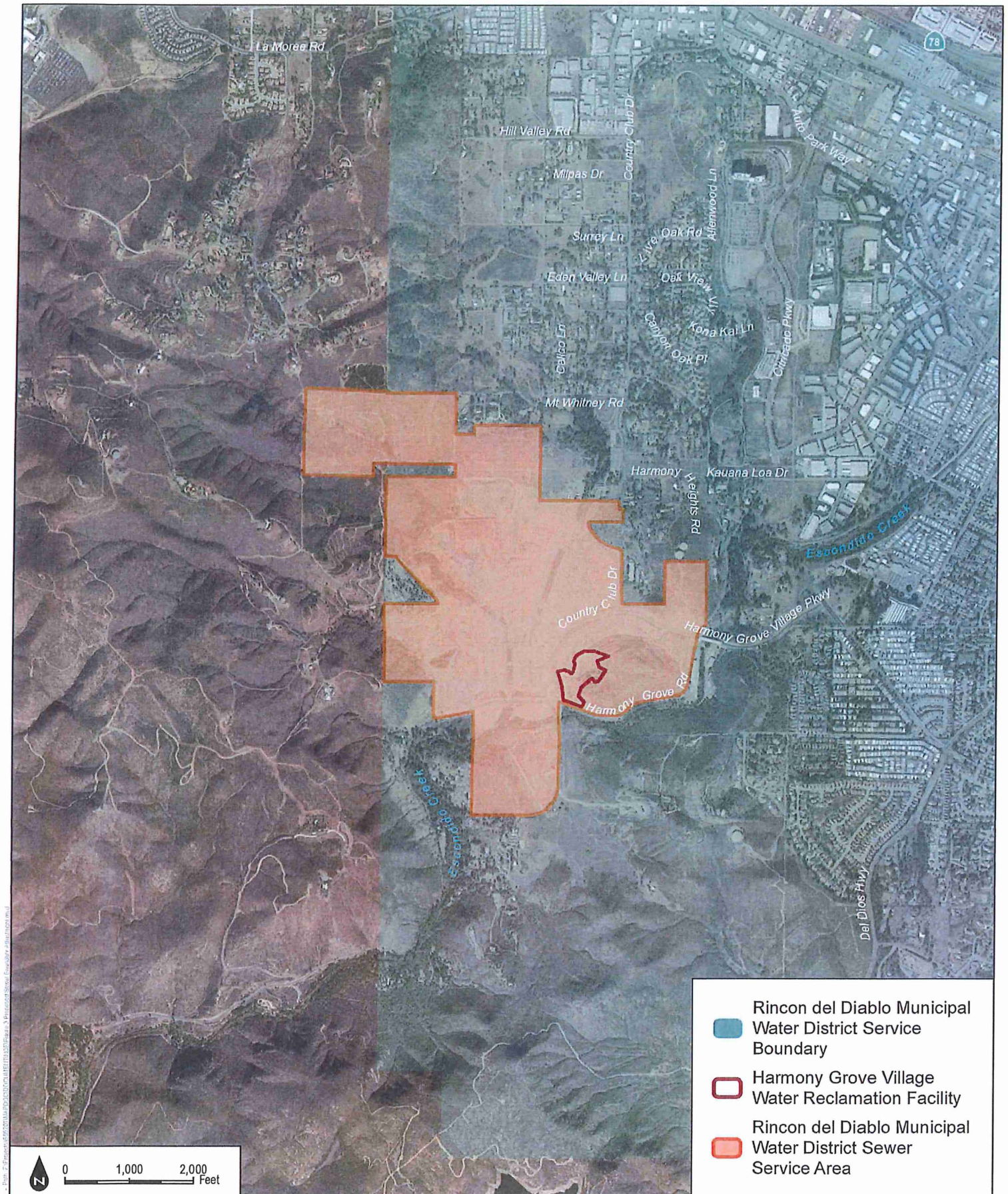
**James B. Murtland,
President, Board of Directors
Rincon del Diablo Municipal Water District**

ATTEST:



**Wanda J. Cassidy
Board Secretary
Rincon del Diablo Municipal Water District**





SOURCE: Bing Maps, 2016; Wastewater/Sewer Districts - SANDAG, 2016

Harmony Grove Village Water Reclamation Facility Acquisition NOE

FIGURE 3
Proposed Sewer Boundary Adjustment

ATTACHMENT THREE

TABLE 1: APNs of Parcels within the Harmony Grove Village Reorganization Area (Total of 813 parcels)

2355600100	2355701700	2355810700	2355910400	2356032400	2356116300	2356232500
2355600200	2355701800	2355810800	2355910500	2356100100	2356116400	2356232600
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2355600400	2355702000	2355811000	2355910700	2356100300	2356120200	2356240200
2355600500	2355702100	2355811100	2355910800	2356100400	2356120300	2356240300
2355600600	2355702200	2355811200	2355910900	2356100500	2356120400	2356240400
2355600700	2355702300	2355811300	2355911000	2356100600	2356120500	2356240500
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2355601200	2355702800	2355811800	2355911500	2356101100	2356200300	2356241000
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2355602600	2355704200	2355821000	2355912900	2356102500	2356201700	2356242400
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2355602800	2355704400	2355821200	2355913100	2356102700	2356201900	2356242600
2355602900	2355704500	2355821300	2355913200	2356102800	2356210100	2356250100
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2355603100	2355704700	2355821500	2355913400	2356103000	2356210300	2356250300
2355603200	2355704800	2355821600	2355913500	2356103100	2356210400	2356250400
2355603300	2355704900	2355821700	2355913600	2356103200	2356210500	2356250500
2355603400	2355705000	2355821800	2355913700	2356103300	2356210600	2356250600
2355603500	2355705100	2355821900	2355913800	2356103400	2356210700	2356250700
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2355603900	2355705500	2355822300	2355914200	2356103800	2356211100	2356251100
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2355604700	2355710200	2355823100	2356000100	2356104600	2356211900	2356260300
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2355611500	2355711700	2355824600	2356001600	2356110700	2356213400	2356261800
2355611600	2355711800	2355824700	2356001700	2356110800	2356213500	2356261900

TABLE 1: APNs of Parcels within the Harmony Grove Village Reorganization Area (Total of 813 parcels)

2355611700	2355711900	2355824800	2356001800	2356110900	2356213600	2356262000
2355611800	2355712000	2355824900	2356001900	2356111000	2356213700	2356262100
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2355701600	2355810600	2355910300	2356032300	2356116200	2356232400	

ATTACHMENT FOUR

Protest Proceedings

The proposed reorganization area considered inhabited as defined under LAFCO law as it contains more than 12 registered voters. If approved by the Commission, the proposed reorganization would be subject to protest proceedings pursuant to Government Code Section 57000, as follows.

Within 35 days following the adoption of the commission's resolution making determinations, the executive officer shall set the proposal for hearing and give notice of that hearing by mailing, publication, and posting. At the protest hearing, prior to consideration of protests, the commission's resolution making determinations shall be summarized. At that hearing, the commission shall hear and receive any oral or written protests, objections, or evidence that is made, presented, or filed. Any person who has filed a written protest may withdraw that protest at any time prior to the conclusion of the hearing. Upon conclusion of the protest hearing, the commission shall determine the value of written protests filed and not withdrawn.

In the case of registered voter districts or cities, where a change of organization or reorganization consists solely of annexations, detachments, the exercise of new or different functions or class of services or the divestiture of the power to provide particular functions or class of services within all or part of the jurisdictional boundaries of a special district, or any combination of those proposals, the commission, not more than 30 days after the conclusion of the hearing, shall make a finding regarding the value of written protests filed and not withdrawn, and take one of the following actions:

- (1) Terminate proceedings if a majority protest exists in accordance with Section 57078.
- (2) Order the change of organization or reorganization subject to confirmation by the registered voters residing within the affected territory if written protests have been filed and not withdrawn by either of the following:
 - (A) At least 25 percent, but less than 50 percent, of the registered voters residing in the affected territory.
 - (B) At least 25 percent of the number of owners of land who also own at least 25 percent of the assessed value of land within the affected territory.
- (3) Order the change of organization or reorganization without an election if paragraphs (1) and (2) of this subdivision do not apply.

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