

Borrego Valley Municipal Service Review & Sphere of Influence Update

**Report of the
San Diego Local Agency Formation Commission
(Reference Nos. MSR05-52; SR05-52A; SR05-52B)**

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San Diego Local Agency Formation Commission
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BORREGO VALLEY MUNICIPAL SERVICE REVIEW
& SPHERE OF INFLUENCE UPDATE

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October 1, 2007

TO: Local Agency Formation Commission

FROM: Executive Officer
Local Governmental Analyst

SUBJECT: Borrego Valley Municipal Service Review & Sphere of
Influence Update

EXECUTIVE SUMMARY

As required by provisions in the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (Government Code § 56000 et seq.), the Borrego Valley Municipal Service Review (MSR) & Sphere of Influence (SOI) Update contains a review of the provision of municipal services and the status of adopted spheres of influence of the local governmental agencies in the Borrego Valley study area. The term "municipal services" is used generally to refer to the full range of services that a public agency provides or is authorized to provide. The principal municipal services reviewed in the Borrego Valley Area MSR are water and sewer services; however, the provision of other authorized municipal services in the study area is also discussed.

The Borrego Valley MSR study area (Maps 1A & 1B) is located in the far northeast corner of unincorporated San Diego County and is surrounded by the Anza-Borrego Desert State Park. Due to the Borrego Valley's geographic isolation and physical distance from existing imported water infrastructure, the MSR study area is completely dependent on groundwater from the underlying Borrego Valley aquifer for all of its water needs.

The two primary public agencies providing the subject municipal services in the Borrego Valley MSR study area are the Borrego Water District (WD) and the Borrego Springs Park Community Services District (CSD). The Borrego Valley SOI Update reviews and provides written determinations regarding the status of the adopted spheres of influence of the Borrego WD and the Borrego Springs Park CSD.

The Borrego WD (Maps 2A & 2B) was formed in 1962 to protect the local groundwater supply from potential exportation. The Borrego WD supplies groundwater from its local wells to the majority of the developed areas of the Borrego Valley, and provides sewer service to a Commission-designated portion of its service area. The Borrego WD has been recognized by the State of California as the local public agency responsible for groundwater management in the Borrego Valley since 1984.

The Borrego Springs Park CSD (Map 3) was formed in 1965 and also provides water service and sewer service to a small portion of the Borrego Valley. The land uses within the Borrego Springs Park CSD's service area include a golf course, resort, and residential development. The CSD's boundaries are 100% surrounded by the Borrego WD's service area and sphere of influence.

The Borrego Valley MSR determinations reflect that municipal services are generally being provided in an adequate manner within the MSR study area, and that anticipated revenues are sufficient to support the current levels of municipal service provision and contribute to the capital reserves for future needs. The MSR Determinations affirm that the primary agencies generally engage in sound planning for future services.

The MSR Infrastructure, Finance, and Governance determinations and SOI update determinations provide support for a potential consolidation between the Borrego WD and the Borrego Springs Park CSD. The advantages of a consolidation could potentially provide: increased local groundwater management oversight; more efficient municipal service provision within the CSD service area and MSR study area; resolution of the CSD's ongoing regulatory difficulties regarding its water storage infrastructure and provision of municipal services; and provide the Borrego WD with an additional groundwater well source. The Borrego WD and Borrego Springs Park CSD have engaged in ongoing consolidation sub-committee meetings during 2007. Additional discussions regarding final terms and conditions of a consolidation between the district's Board of Directors are expected to occur in early 2008.

The MSR determinations identify two local governmental issues that should be addressed in future sphere updates for the Borrego Valley: the Borrego WD's request for an expansion of its service area's sphere of influence to include the remainder of the privately-owned parcels in the Borrego Valley that are not located within the surrounding Anza-Borrego Desert State Park; and, the Borrego WD's request to expand its latent sewer service area to include all developed parcels within its boundaries.

The Borrego WD has stated that a sphere expansion could better position the district to implement its adopted Groundwater Management Plan by facilitating future annexations that would acquire additional overlying groundwater rights in the valley. The Borrego WD has also stated that expansion of its latent sewer service sphere to include all developed parcels in the Borrego Valley would facilitate their conversion from groundwater-threatening sub-surface septic systems to public sewer service.

The Draft Borrego Valley MSR and SOI Update was distributed to affected agencies and the general public for a 30-day review and comment period, which ended on August 10, 2007. Comments were received from: the County of San Diego Department of Planning and Land Use (DPLU); Borrego WD; and the Borrego Springs Park CSD. There were no comments received from the general public prior to the finalization of the

staff report. The County of San Diego comments supported a potential consolidation of the two districts and the expansion of the Borrego WD's sphere of influence. The Borrego WD and the Borrego Springs Park CSD provided technical and financial corrections and updates that were integrated into the final report.

Conclusion and Recommendation

As the County of San Diego serves as the land use authority for the Borrego Valley MSR study area, and is currently undergoing a comprehensive update to its 1979 General Plan, it would be premature to engage in a general expansion of the Borrego WD's service spheres without a comprehensive environmental review based on updated land use designations. The County DPLU typically performs this environmental evaluation and coordinates additional analysis during a development project's tentative approval process. Those findings and approvals are generally required to establish a documented need for service provision and corresponding need for LAFCO consideration of a change of organization or reorganization proposal.

It should be noted that the County of San Diego's existing land use policies encourage additional residential growth in the Borrego Valley in order to increase its ability to provide public services and promote the decrease the valley's high-groundwater consuming agricultural uses. The County of San Diego's 1:1 groundwater mitigation policy also supports the Borrego WD's groundwater preservation efforts by requiring new development projects to include offsetting groundwater use reduction measures which will make up for the project's proposed groundwater use and result in "no net gain" in the overall rate or amount of extraction of local groundwater.

Two small areas adjacent to the Borrego WD sphere have limited active land uses, the Borrego Air Ranch and Tubb Canyon Road areas. Both are recommended to be designated as Special Study Areas for future review of their potential inclusion in the Borrego WD's sphere. The majority of the remaining territory in the Borrego Valley area that is not located within the Borrego WD sphere has no active land uses that would threaten the implementation of the District's groundwater management program.

Accordingly, LAFCO staff is recommending that the Borrego WD service area sphere be reaffirmed, with the exception of the addition of one adjacent parcel containing active agricultural uses. This parcel (APN 140-010-08) represents an island surrounded by the Borrego WD and the Anza-Borrego Desert State Park. Staff is also recommending the Commission reaffirm the Borrego WD's adopted latent sewer service area sphere, and authorize the Executive Officer to perform a technical adjustment to the Borrego WD's sewer sphere boundary that will correct its alignment with existing parcel lines.

The Borrego Springs Park CSD coterminous sphere is recommended to be changed to a transitional (zero) sphere, which designates that a successor agency is expected to assume its service responsibility at a future time. This zero sphere designation would allow for a future consolidation proposal to be submitted for Commission consideration without requiring an associated sphere update and municipal service review.

MUNICIPAL SERVICE REVIEW & SPHERE OF INFLUENCE UPDATE

Background

In its adoption of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, the California State Legislature empowered LAFCO with statutory authority for acting on local agency boundary changes and establishing, reviewing, and updating periodically as necessary, the sphere of influence for each public agency in the county.

A sphere of influence is defined as “a plan for the probable physical boundaries and service area of a local agency, as determined by the Commission” (Govt. Code § 56076). LAFCO is required to review and update, as necessary, the sphere of influence of each public agency in the county and to conduct a municipal service review before, or in conjunction with an action to establish or update a local agency’s sphere of influence.

A public agency’s sphere of influence serves as a planning tool that can provide guidance in: reviewing change of jurisdiction and reorganization proposals; promoting the efficient provision of municipal services; and preventing duplication of service provision responsibility. Inclusion within an agency's sphere does not indicate that an affected area will be automatically annexed to the subject agency. The adopted sphere of influence is only one of several factors the Commission must consider in reviewing individual proposals.

Municipal Service Review Determinations

When conducting a municipal service review, LAFCO is directed to comprehensively review all of the public agencies that provide the identified service or services within a designated geographic area and prepare a written statement of its determinations in regards to the following nine categories:

1. Infrastructure needs or deficiencies;
2. Growth & population projections;
3. Financing constraints and opportunities;
4. Cost avoidance opportunities;
5. Opportunities for rate restructuring;
6. Opportunities for shared facilities;
7. Government structure options including advantages & disadvantages of consolidation or reorganization of service providers;
8. Evaluation of management efficiencies; and
9. Local accountability and governance.

Assembly Bill 1744 (AB 1744)

The California State Assembly has recently heard a bill that proposes to revise the nine written determinations LAFCO must make when conducting a municipal service review. Assembly Bill 1744 would streamline the nine current MSR determinations into six categories:

1. Growth and population projections for the affected area;
2. Present and planned capacity of public facilities and adequacy of public services that they agency provides or is authorized to provide, including infrastructure needs or deficiencies;
3. Financial ability of agencies to provide services;
4. Status of, and opportunities for, shared facilities;
5. Accountability for community service needs, including governmental structure and operational efficiencies; and
6. Any other matter related to effective or efficient service delivery as required by Commission policy.

According to the analysis of the Assembly Committee on Local Government, AB 1744 brings the required contents of municipal service reviews into closer alignment with the factors that LAFCO must consider in its sphere of influence amendments or updates. AB 1744 has been signed into law by the Governor. While the Borrego Valley MSR and SOI Update is subject to the current requirements in state law, the update also complies with AB 1744 provisions.

Sphere of Influence Determinations

When establishing or updating a sphere of influence, LAFCO must consider and prepare a written statement of its determinations in regards to each of the following factors:

1. The present and planned land uses in the area, including agriculture and open-space lands;
2. The present and probable need for public facilities and services in the area;
3. The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide;
4. The existence of any social or economic communities of interest if the Commission determines that they are relevant to the subject agency.

San Diego LAFCO Municipal Service Review Program

San Diego LAFCO initiated its municipal service review program in 2002 after adopting local guidelines for producing municipal service reviews. In addition to identifying goals and objectives, the service review guidelines provide direction in determining study area boundaries, preparing the report, and defining the municipal services and local agencies to be addressed in the review.

In April 2003, San Diego LAFCO adopted an implementation policy recommended by the Municipal Services Working Group and the Special Districts Advisory Committee for preparing local service reviews. Known as the Strategy for Conducting and Using Municipal Service Reviews, this policy establishes a framework to assist the MSR preparation.

San Diego LAFCO also adopted a schedule of the geographic regions and agencies to be included in the initial phase of the service review program. The eastern portion of San Diego County is among those areas identified for the initial service review phase. The Borrego Valley MSR and SOI Update is a continuation of San Diego LAFCO's efforts to complete the sphere update process for all local agencies in the San Diego County by the legislated completion date of January 1, 2008.

MUNICIPAL SERVICE REVIEW STUDY AREA

Borrego Valley MSR Study Area

The Borrego Valley is located in the desert area of the far northeast corner of the County of San Diego, and is immediately east of the Peninsular Range of mountains that divides the more temperate coastal plain from the desert. The Borrego Valley is separated from the Salton Sea, thirty miles to the east in Imperial County, by eroded land known as the Borrego Badlands. It is separated from the Coachella Valley to the north in Riverside County by the Santa Rosa Mountain chain. The Borrego Valley runs in a north-south direction for approximately 11 miles, and in an east-west direction for about 6-1/2 miles. The valley includes an estimated 55,000 acres of privately held land, with an estimated permanent population of approximately 3,000. Please refer to Maps 1A and 1B for an overview of the Borrego Valley MSR Study Area.

Borrego Valley Road is the approximate dividing line between the western and eastern halves of the valley. The remaining area of the valley is located within the Anza-Borrego Desert State Park. The Anza-Borrego Desert State Park is one of the largest state parks in the nation at more than 600,000 acres, which is equal to the acreage of all of California's other state parks combined. The Anza-Borrego Desert State Park has been designated by UNESCO (United Nations Educational Scientific Cultural Organization) as part of the world's "Deserts Biosphere Reserve" of unique plants and wildlife. Close to a million visitors per year enjoy the wildflower displays, palm groves, diverse animal life, open camping, and scenic vistas within the park.

The unincorporated community of Borrego Springs is located in the western half of the Borrego Valley and contains the majority of the valley's residential development. The community of Borrego Springs is defined by the boundaries of the Borrego Community Sponsor Group, an advisory planning group to the Board of Supervisors of the County of San Diego. The eastern half of the Borrego Valley is primarily open land and includes the airport, agricultural lands, Old Borego (the valley's original settlement area), the La Casa del Zorro resort, and the Rams Hill Country Club.

County of San Diego Desert Subregional Plan

The Borrego Valley is subject to the land use authority of the County of San Diego, which has an adopted General Plan that specifies the County's land use categories and how they are implemented in the unincorporated county territory. The County's General Plan was adopted in 1979 and has been undergoing a comprehensive update since 1998 that is known as General Plan 2020 (GP2020). The Desert Subregional Plan is a component of the County General Plan that focuses on the eastern desert area of

unincorporated San Diego County, including the Borrego Valley and the community of Borrego Springs. The Desert Subregional Plan was adopted in 1979 as part of the County General Plan, and was amended in 1995.

The stated goal of the County's Desert Subregional Plan is to provide a land use pattern which will accommodate growth while minimizing environmental impacts. The County states that new growth is desired in Borrego Springs as the Borrego Valley requires additional residents to provide an adequate tax base that will support both the provision of needed public services and a functioning community economic base. With this goal in mind, the County feels that providing for additional subdivisions is appropriate in order to accommodate the needed growth.

The Desert Subregional Plan also specifies that appropriate plan designations and zones should be utilized for the development of residences designed to serve the needs of low and moderate income families and senior citizens. These types of residences are intended to be located where they will be convenient to shopping, cultural, and recreational facilities, and compatible with adjacent uses.

The County states that the agricultural uses that previously dominated the Borrego Valley are not as economically viable as once were, and involve a high level of groundwater use. The Desert Subregional Plan's agriculture goal is to provide a land use pattern that allows for the continuation of agricultural uses which use low water consumption and conservation. The County's policy is to not limit the conversion of agricultural use in the Borrego Valley to other uses in order to encourage conservation of the limited local groundwater.

County of San Diego General Plan 2020 (GP2020)

The County of San Diego's GP2020 effort began in August 1998 to update the San Diego County General Plan, which has not been comprehensively updated since 1979. Presently, the unincorporated area of the County comprises 84% of the total land area of San Diego County and is estimated to support 16% of the entire County's population of approximately 2.8 million inhabitants.

According to the San Diego Association of Governments (SANDAG), the population of the County is estimated to grow to approximately 3.8 million by the year 2020, with the existing population of the unincorporated area (451,585) projected to grow to approximately 666,576 (+32%). General Plan 2020 is intended by the County to form a planning framework for the unincorporated communities that protects the environment, accommodates population growth, and links that growth to the provision of required facilities and services.

Local Population Projections

The Borrego Valley has approximately 5,000 unused residential lots either improved or approved for future development. The valley area also includes vacant lands designated with density appropriate for multi-family units and mobile home parks. Based on the existing County of San Diego Desert Subregional Plan, a complete build-out would accommodate an approximate population of 25,000, which is five times the current

estimated winter peak population of 5,000. The County of San Diego projects the GP2020 Borrego Springs population as 14,030.

Primary Municipal Services

The primary municipal services reviewed in this Municipal Service Review (MSR) and Sphere of Influence (SOI) update are water and sewer. Secondary services reviewed in this MSR are flood control, vector control, and solid waste collection. Fire protection services are provided to the study area by the Borrego Springs Fire Protection District (FPD) and are currently being examined on a county-wide basis in a separate LAFCO study. Police protection and other County services are not subject to sphere establishment or update by LAFCO; therefore, municipal services directly provided by the County of San Diego will not be a primary focus of this MSR and SOI Update.

BORREGO VALLEY MSR PRIMARY AGENCIES

The primary local public agencies providing the municipal services to the Borrego Springs study area are the Borrego Water District (WD), and the Borrego Springs Park Community Services District (CSD). In September 2005, both districts were sent requests for information forms (RFI) that were developed by LAFCO staff to obtain the basic information necessary to develop the required determinations, as required by provisions in state law. The Borrego Springs Park CSD requested a time extension for return of the RFI by its requested date of December 3, 2005. The Executive Officer granted the extension request to March 3, 2006.

The Borrego WD returned a completed RFI along with supporting information. The Borrego Springs Park CSD did not return a completed RFI; however, the CSD did submit a copy of its September 2005 grant application to the Safe Drinking Water State Revolving Fund that provides limited information regarding the CSD's administration, financing, and infrastructure. This report did not provide enough specific information relative to developing the required MSR determinations; therefore, the CSD was requested to provide supplemental information.

Borrego WD

District Formation

The Borrego WD was formed in 1962 as a California Water District in accordance with Section 34000 of the California Water Code. The Borrego WD's formation was initiated by local landowners and was primarily intended to establish a local public agency capable of pursuing legal proceedings to protect the Borrego Valley groundwater supply from potential exportation to residential development in the Salton Sea area. Subsequent market changes, and the Borrego WD's formation, eventually ended the local groundwater exportation speculation. The Borrego WD district remained technically inactive until the late 1970's when it received LAFCO approval for activation of its latent water and sewer powers. Please refer to Maps 2A and 2B for an overview of the current Borrego WD water and sewer service areas and respective spheres of influence.

Service Area

The current Borrego WD service area includes approximately 30,642 acres (48 square miles). The WD's service area covers about 2/3 of the Borrego Valley floor and is generally located in the developed western and southern sides of the valley. According to SANDAG's special district population estimate for 2006, the Borrego WD provides services to a permanent population of 2,386, with an estimated seasonal population of approximately 5,000.

The Borrego WD reports that it provides water service to 1,923 residential and commercial customers within its service area. The Borrego WD service area is divided into four improvement districts (ID). The Borrego WD provides water, sewer, and flood control in ID-1; sewer service only in ID-2; water service only in ID-3 and ID-4; and provides vector control district-wide.

Service Provision Background

In 1979 the Borrego WD formally requested San Diego LAFCO for approval for an activation of the district's latent water power to provide water service to a proposed 3,140-acre local development called Rams Hill Country Club (currently known as "Montesoro"). The WD also proposed to develop a comprehensive groundwater management program for protection and replenishment of the Borrego Valley water basin. Following several public hearings, the final one being held in the community of Borrego Springs, the Commission approved the district's latent power activation request.

During its deliberations, the Commission had voiced concern regarding the WD's statutory voting structure as a landowner-voter district. This voting structure would not allow local registered voters to participate in the district's board elections unless they were landowners. The Commission's latent power activation approval included a strong recommendation that the WD's statutory voting structure be changed from a landowner-voter district to a registered-voter district in order to provide a means for local residents to have a voice in Borrego WD board elections.

Special legislation was subsequently approved by the California State Legislature in 1980 to codify the change to a registered-voter district. The annexation of the Rams Hill County Club development to Borrego WD was approved by the Commission in 1979 and its area was designated as Improvement District-1 (ID-1). In 1980, San Diego LAFCO also approved the Borrego WD's request for activation of its sewer latent powers in order for it to provide sewer service to the Rams Hill development.

In 1986, San Diego LAFCO approved the Borrego WD's request for expansion of its latent sewer powers area in order for the district to extend sewer service to the Borrego Springs Town Center, which was designated as ID-2. The Borrego WD had originally requested that its sphere of influence be expanded to include all of the remaining territory surrounding Borrego Springs that was not under state park ownership. LAFCO staff then determined that the Borrego WD sphere expansion request should be coordinated with the County's pending revision of the Desert Subregional Plan.

The Borrego WD subsequently modified their proposal to include only the proposed sewer service area in order to avoid delaying the proposed sewer extension to Borrego

Springs. LAFCO then approved the Borrego WD sewer service sphere of influence as coterminous with the Town Center area of Borrego Springs. The 7.2 mile sewer line to Borrego Springs extended from the Rams Hill Wastewater Treatment Plant north along Borrego Valley Road, and west along Palm Canyon Drive to Montezuma Valley Road.

Additional LAFCO Latent Power Activations

In 1983, LAFCO activated the Borrego WD's mosquito abatement / vector control latent powers as the successor agency for the dissolved Borrego Valley Mosquito Abatement District. In the same year, the district was also authorized by LAFCO to provide septic tank maintenance in order to protect groundwater quality.

In 1984, San Diego LAFCO approved the district's request for activation of its latent flood control powers to provide flood control service and facilities for the Rams Hill development and ID-1 area. The flood control facilities were intended to protect property and improvements from desert flash floods, and to capture storm water for recharge of the groundwater basin as part of the WD's groundwater management program.

Previous Borrego WD Mergers with Local Water Providers

In 1987, the Borrego WD absorbed the operations of the Rancho Borrego Mutual Water Company and the Golden Sands Mutual Water Company. At that time, the acquisition reduced the number of water agencies in Borrego Valley to five and increased the district's ability to implement comprehensive groundwater management. The service areas of the mutual water companies included the La Casa del Zorro resort, Rancho Borrego, and the Deep Well Trails area. Those annexed areas were designated as ID-3.

In 1996, the Borrego WD Board of Directors adopted an initiating resolution that proposed to amend its sphere of influence to accommodate a proposed annexation of approximately 7,220 acres adjacent to its boundary and to form an improvement district over the proposed annexation area. The subject territory represented the service area of the privately-owned Borrego Springs Water Company (BSWC).

The BSWC provided water service to the Borrego Valley's western urban area, which contains most of the residential population in the unincorporated community of Borrego Springs, and was regulated by the California State Public Utilities Commission (PUC). The Borrego WD and the BSWC had negotiated an agreement in response to efforts of a non-local private water company to purchase the locally-owned BSWC.

San Diego LAFCO approved Borrego WD's request for a sphere amendment and annexation of the BSWC service area in November, 1996. The Borrego WD, as the conducting authority, subsequently received written protest to the annexation from 45.6% of the registered voters within the annexation area. Because the submitted written protest was greater than 25% but less than 50% of the registered voters in the subject territory, the annexation was statutorily required to be subject to approval by a majority vote of the registered voters in a special election. The Commission determined that the election should be held both within the Borrego WD and the proposed BSWC annexation area.

A special election was held in April 1997, where 65% of the total voters approved the annexation. Following the special election, the Borrego WD received approval from the

PUC to merge with the BSWC, which was designated as ID-4. The Borrego WD issued \$1.86 million in Certificates of Participation bonds to finance the purchase of the BSWC water system.

Borrego Springs Park CSD

District Formation

The Borrego Springs Park CSD was formed in 1965 under the Community Services District Law to serve a 100-unit subdivision in Borrego Springs. The Borrego Springs Park CSD was formed by request of the landowner, the Borrego Springs Park Corporation, to supplement the water and sewer services provided by the Borrego Springs Park County Water District to the 1,200-acre Borrego Springs Park development area. Please refer to Map 3 for an overview of the current Borrego Springs Park CSD service area and sphere of influence.

In LAFCO's 1965 resolution of approval for the Borrego Springs Park CSD's formation, its original powers were specified and limited to the following:

1. The collection or disposal of garbage or refuse matter;
2. Public recreation by means of parks (aquatic parks and recreational harbors, playgrounds, golf courses, swimming pools or recreation buildings);
3. Street lighting;
4. The opening, widening, extending, straightening, and surfacing, in whole part of any street in the district, subject to the consent of the County Board of Supervisors;
5. The construction and improvement of bridges, culverts, curbs, gutters, drains, and works incidental to the purposes specified in No. 4, subject to consent of the County Board of Supervisors; and
6. That no other powers be exercised by the CSD except with the prior approval of LAFCO.

Latent Water and Sewer Powers Activation

In 1981, Borrego Springs Park CSD petitioned LAFCO to dissolve the Borrego Springs Park County Water District and approve the activation of the CSD's latent water and sewer powers as the successor agency. The dissolution and latent powers activation was proposed in order to consolidate the municipal services provided to the Borrego Springs Park area under one agency. The February 2, 1981 LAFCO staff report states that the CSD was only providing trash collection and golf course maintenance services within its service area at that time.

Service Area

The total service area of the Borrego Springs Park Community Services District (CSD) includes approximately 1,210 acres. As of 2006, the CSD service area population was estimated by SANDAG to be approximately 334.

Recent Changes to CSD Law

In 2005, the California State Legislature approved major changes to the Community Services District law in relation to regulatory authority, exercise of powers, financial accountability, and oversight. This update of the CSD law also emphasized the intent of the State Legislature's efforts to:

- Continue a broad statutory authority for a class of limited-purpose special districts to provide a wide variety of public facilities and services;
- Encourage LAFCO to use its municipal service reviews, spheres of influence, and boundary powers, where feasible and appropriate, to combine special districts that serve overlapping or adjacent territory into multifunction community services districts; and that
- Residents, property owners, and public officials should use the powers and procedures provided by the CSD law to meet the diversity of the local conditions, circumstances, and resources.

The 2005 update to the CSD law also established a definition for "latent power" as any service that a CSD was authorized to perform, but was not being performed by the CSD, as determined by LAFCO, prior to January 1, 2006.

Services Currently Provided by the Borrego Springs Park CSD

To comply with this new provision in State Law, San Diego LAFCO surveyed the 12 CSDs in San Diego County and updated its CSD inventory of currently provided services and facilities. The Borrego Springs Park CSD informed LAFCO staff that it was responsible for providing the following services within its service area as of December 5, 2005:

- Solid waste collection and disposal;
- Park and recreation;
- Road improvement and maintenance;
- Construction of public works incidental to road maintenance;
- Street lighting maintenance;
- Water;
- Sewer; and,
- Landscape maintenance.

The Borrego Springs Park CSD provides solid waste collection and disposal services by contract with a waste collection and disposal service. The CSD exercises its park and recreation service through the administration of the par 3 golf course, and its landscape maintenance services as part of its CSD resident fees. Road improvement and maintenance, construction of public works incidental to road maintenance, and street lighting maintenance are performed as necessary by sub-contractors.

MUNICIPAL SERVICES AND INFRASTRUCTURE

Borrego Valley Aquifer

As stated previously, the Borrego Valley area is totally dependant on the underlying Borrego Valley aquifer for all of its local water uses. This dependence on local groundwater resources places a premium on the management and preservation of the aquifer for the long-term sustainability of the Borrego Valley community.

Historically, the Borrego Valley aquifer was not extensively tapped for water use due to the small local population and limited local commercial uses. In 1945 the United States Geological Survey (USGS) reported that the local groundwater basin was being maintained under sustainable conditions. Due to the introduction of local large-scale agriculture production in the valley, by the mid-1950's the Borrego Valley groundwater basin was reported to be in an overdraft situation where more groundwater was being annually extracted from the aquifer than was being naturally replenished.

Over the last fifty years, local groundwater levels in the Borrego Valley have continued to decline as a result of this ongoing overdraft of the aquifer's water resources. The Borrego Valley aquifer receives an estimated 4,800 acre-feet of replenishment inflow annually from rain in the adjacent mountains. One acre-foot is equivalent to the volume of water sufficient to cover an acre of land to a depth of 1 foot, approximately 325,851 gallons. The remaining reserve of water in the aquifer, which is not precisely known, has been estimated by the Borrego WD as approximately 1,685,000 acre-feet of "usable water" as of 1999.

Borrego Valley Groundwater Quality

As required by all water utilities in California, the Borrego WD compiles and distributes an annual water quality report to its customers. A water quality report is designed to provide information to water customers regarding drinking water quality compared to state and federal standards for safety, appearance, taste, and smell. The most recent Borrego WD water quality report is the 2005 Consumer Confidence Report (CCR), dated July 1, 2006. The 2005 CCR reported cumulative sampling results for all detected drinking water contaminants from the following tests:

- Detection of coliform bacteria, lead and copper;
- Levels of sodium and hardness;
- Detection of contaminants with primary and secondary drinking standards;
- Detection of unregulated contaminants;
- Synthetic organic contaminants, including pesticides and herbicides; and
- Disinfection residues and byproducts.

The summary of all Borrego WD Source Water Assessments for its 11 active wells report no detected contaminants exceeding the maximum contaminant level goals or drinking water standards. The summary identifies agricultural irrigation run-off and

septic tank effluent percolation as the most likely contamination threats to drinking water quality.

Reduction of these groundwater contamination threats is one of the goals of the Borrego WD's Groundwater Management Plan and the County of San Diego's Borrego Valley Groundwater Mitigation Policy, which are intended to protect and preserve the underlying Borrego Valley Aquifer by reducing groundwater-intensive agricultural uses and irrigation run-off, and by encouraging new development in sewer-available areas in order to avoid the groundwater percolation effects of underground septic disposal systems.

Borrego Valley Groundwater Usage

The County of San Diego reports that, since it began monitoring the groundwater levels of local wells in 1978, urban water uses have increased by 400%, agricultural water uses by 250%, and golf course and general landscaping by 220%. While the County of San Diego reports that the average annual groundwater demand for the Borrego Valley is more than 15,000 acre-feet, according to Borrego WD's 1999 estimates, groundwater usage in the valley was approximately 22,300 acre-feet of water per year.

The Borrego WD's 1999 estimates also state that approximately 70% of the total annual groundwater extraction (15,590 acre-feet) is consumed for irrigation of approximately 4,000 acres of agricultural uses; 20% (4,435 acre-feet) is used by golf courses and commercial landscaping; and the remaining 10% (2,272-acre feet) is used by residential and commercial uses. This level of groundwater extraction results in an approximate overdraft of 17,500 acre-feet a year from the Borrego Valley aquifer.

Borrego Valley Groundwater Levels

The County reports that the average rate of decline in local groundwater levels has increased from less than one foot per year, to over two feet per year. The County of San Diego has measured declines in the northern part of the aquifer, where most of the local agriculture use is located, in excess of 50 feet since 1978. Current rates of water level decline in some areas of the aquifer are more than 5 feet annually.

With a two-foot annual decline, the usable groundwater supply could potentially be sustained for approximately 100 years; however, the future costs for groundwater extraction are likely to increase significantly if local groundwater levels continue to decline at current rates. Projections also reflect that current levels of groundwater usage could deplete up to one-half of the groundwater in the upper and middle levels of the aquifer within approximately 35 years.

Various groundwater studies over the last twenty years have not revealed an immediate groundwater supply crisis; however, the County of San Diego's August 2002 scheduled monitoring of unused wells to test local groundwater levels revealed that the water level in the test well used for the agricultural area in the north side of the valley had decreased eight feet in six months. To contrast, in the south end of the Borrego Valley where there are no intensive agricultural uses, the water level in a similar unused well had shown no decrease.

Borrego Valley Groundwater Management Studies

The first major study of the Borrego Valley aquifer had been developed in the early 1980s by the United States Geological Survey (USGS) as part of a proposed two-phase study to determine the status of the Borrego Valley aquifer and to quantify the amount of remaining usable groundwater. The USGS groundwater study was conducted in response to local concerns regarding potential impacts to the valley's groundwater resources from the proposed Rams Hill Country Club development project. At that time, the County of San Diego also began to monitor groundwater levels in non-operating wells throughout the valley.

Phase I of the USGS Borrego Valley study focused on data collection and geological analysis to produce information for a groundwater model that could project the impact of development and other factors on the aquifer's water resources. Their report, USGS H82-855, was published in 1982. In 1984 the California Department of Water Resources (DWR) developed and published a report, the "Borrego Valley Water Management Plan," that evaluated the feasibility and costs of bringing in Colorado River and Northern California water to the Borrego Valley.

The 1984 DWR Water Management Plan recommended that the Borrego WD serve as the valley-wide water management agency. This recommendation was not fully implemented because the Borrego WD does not overlie the entire Borrego Valley basin and, therefore, does not control the groundwater rights of the lands outside of its boundaries.

In 1988 the USGS published its report on the development of a groundwater flow model (Phase II) that could analyze historic and future impacts of groundwater usage on the valley's resources; however, the groundwater flow model was never put into operation. Additional groundwater studies and reports have been subsequently prepared in response to local land development proposals.

Assembly Bill 3030 (AB 3030)

In 1992 the California State Legislature passed Assembly Bill 3030, which was signed into law by Governor Wilson as sections 10750 through 10756 of the California Water Code. Pursuant to AB 3030, the legislature established a means for a local agency to adopt or implement a groundwater improvement plan or groundwater management program. The intent of AB 3030 was for local water districts to obtain voluntary agreements from large local water users regarding how much groundwater would be extracted and how much imported water would be purchased.

A local agency was defined in the bill as any public agency that provides water service to all or a portion of its service area, which includes a groundwater basin. While the Borrego WD has no access or right to imported water, AB 3030 was seen by the WD as the appropriate legal basis to pursue a groundwater management plan.

Borrego WD Groundwater Management Study

The projected declines in the Borrego Valley aquifer generated local community concerns that new development in the valley would accelerate the groundwater depletion process. In response to these local groundwater concerns, on November 22,

1999, the Board of Directors of the Borrego WD voted unanimously to prepare groundwater management study as the basis for consideration of adopting a groundwater management plan for the Borrego Valley.

The stated goal of the Borrego WD's groundwater management study is to provide a long-range groundwater management plan for the Borrego Valley that would minimize the overdraft of the aquifer and enhance its recharge capabilities while providing a dependable supply of water for reasonable growth in a manner that is equitable to the current users of the aquifer as well as economically feasible for future users.

Final adoption of the groundwater management planning approach was done through the Board's approval of Resolution No 99-11-01 which states that the Borrego WD would undertake a two-year groundwater management study under the provisions of AB 3030. The Board determined that the groundwater management study would be performed under the direction of a Technical Committee and a citizen's Policy Committee, whose members were appointed by the WD Board.

Groundwater Management Study Technical and Policy Committees

The Technical Committee was comprised of state, county and local agency staff, as well as private individuals, that developed and recommended the work program and provided technical assistance and guidance for the writing of a technical report. The technical report was used by the Borrego WD Board as its basis for its final determinations.

The Policy Committee was made up of local citizens that represented various interests and geographical areas of the community. The Policy Committee was responsible for setting the overall policy direction for the study and forwarding its recommendations to the Borrego WD Board.

The first objective for the Technical Committee was to review all of the available reports and data on the Borrego Valley aquifer, water inflow and water uses, and determine the aquifer's ultimate life if groundwater use was to continue at the present rate or the projected increased level of use. The groundwater management plan was intended to be implemented in a manner both equitable to the current users of the aquifer and economically feasible for future users.

The Technical Committee's second objective was to identify and evaluate various methods to increase the quantity of water available or to reduce water use. This objective was intended to identify one or more combinations of projects or procedures that could be utilized to achieve a better balance of water use with water availability. An additional goal of the Technical Committee was to identify the costs and the specific beneficiaries of these alternative projects and programs for the Policy Committee and the Borrego WD Board.

The Borrego WD groundwater management study area included the entire Borrego Valley groundwater basin as described by the United States Geological Survey. The groundwater management study also evaluated the feasibility of importing water from outside the area to supplement the natural recharge of the aquifer. A draft report was publicly distributed in December 2000. In February 2001, the Technical Committee unanimously approved the final draft of the report and sent it on to the Policy Committee

to be used as a basis for recommending a groundwater plan program to the Borrego WD Board of Directors.

The Policy Committee held public meetings in March and April 2001, and evaluated the alternative solutions presented in the Technical Report, as well as proposals made by the public during those meetings. The Policy Committee's evaluation considered the costs and impacts of the alternative options, their benefits, and potential payment options for implementation of the program.

Borrego WD Board Recommendations

The final recommended program was unanimously approved by the Policy Committee and sent to the Board of Directors of the Borrego WD on May 10, 2001. Its recommendations are as follows:

1. To urge the adoption of a moratorium by the San Diego County Board of Supervisors on the conversion of land in the Borrego Valley to agricultural uses until new land use categories regarding water use are adopted for the valley.
2. Work in coordination with the local agencies and organizations to influence the San Diego County Planning Department and the San Diego County Board of Supervisors in the adoption of desert land use designations that are sensitive to the limited water resources of the Borrego Valley.
3. Work toward the adoption of a regulation requiring all new development in the Borrego Valley to mitigate for water extracted from the Borrego Valley aquifer by purchasing water rights on land currently in agricultural use for the Borrego Valley.
4. Institute a tiered water rate structure for urban uses with a baseline allowance to encourage conservation.
5. Institute a regulation requiring any property owner requesting annexation to an Improvement District in order to receive water service from the Borrego Water District to assign their groundwater rights to the BWD.
6. Develop and promote an informational campaign urging water conservation among all water users. The campaign would include information on basic domestic water conservation tactics, drought resistant landscaping and golf course design, retrofitting of golf course water systems, low water use agricultural methods, and other conservation approaches.
7. Explore the acquisition of agricultural property from willing sellers.

Borrego Valley Groundwater Preservation Issues

One of the local issues resulting from the study and its public hearings was whether the Borrego WD should attempt to obtain water from adjacent basins or state water projects, or attempt to reduce water use in the Borrego Valley to sustainable replenishment levels. This issue was locally controversial as 70% of the extracted groundwater is estimated to be used for agricultural purposes. Returning the Borrego Valley to historically sustainable replenishment levels would be likely to require not only

the reduction of current agricultural groundwater use, but also restricting the future expansion of agriculture uses in the groundwater basin.

Existing agricultural interests in the Borrego Valley presented two positions in opposition to the planning program: opposition to any limitation on the expansion of agricultural uses in the valley; and, opposition to relying upon the reduction of groundwater use in the valley, especially groundwater used for agricultural purposes, instead of finding ways to import additional water to the valley. The Policy Committee's conclusion was that no source of sufficient water had been identified that could be imported into the valley, and that, if a source had been identified, the costs for construction of the needed infrastructure would be economically unfeasible for a district the size of the Borrego WD to bear.

Final Borrego WD Groundwater Management Plan and Board Adoption

As the two year period for development of a groundwater plan was coming to an end in December 2001, the Borrego WD Board adopted a resolution continuing the groundwater management study for an additional two years. Using the information in the Technical Report and the goals, objectives, programs and projects adopted by the Borrego WD Board of Directors, Borrego WD staff prepared a draft plan for public review in the fall of 2002.

The draft plan was submitted to the California Department of Water Resources (DWR) for review and comment. The DWR recommended changes and additions were implemented and the final groundwater management plan was adopted at the October 18, 2002 meeting of the Borrego Water District Board of Directors.

Borrego WD reports the following order of priority for its adopted programs:

- Programs to reduce agriculture and golf course water use without purchasing water rights;
- Programs to publicize water conservation;
- Programs to obtain funding to purchase water rights in the valley, have staff work with county planning department and other county agencies to limit the expansion of land use that requires high water use, have staff work with State and Regional Water Quality Control Board staffs regarding water quality issues;
- Programs providing more information about the aquifer;
- Programs that create economic incentives to reduce water use; and,
- Programs that evaluate the feasibility of obtaining water from other basins and lawsuit to adjudicate the water basin.

Borrego WD 2:1 Groundwater Mitigation Policy

Because of the annual overdraft on the Borrego Valley aquifer, Borrego WD reports that new requests for water service will typically involve the subject territory's potential for water availability as well as the construction of needed infrastructure. Since 2005, the

Borrego WD Groundwater Preservation Policy requires mitigation for groundwater preservation by all new requests for water service.

The groundwater mitigation process typically involves purchase of existing irrigated agriculture lands, which are then subsequently fallowed, so that the net result is an overall reduction in pumping from the Borrego Valley aquifer. The Borrego WD groundwater preservation policy originally specified that all new water meters would require a 3:1 ratio of purchased water rights to the requested water demand. In May 2007, this policy was amended by the Borrego WD Board to a 2:1 mitigation ratio in order to bring it closer to the County of San Diego's 1:1 mitigation policy.

County of San Diego Borrego Valley 1:1 Groundwater Mitigation Policy

The County of San Diego Department of Planning and Land Use (DPLU) adopted an administrative policy in 2004 regarding its cumulative impact analysis under the California Environmental Quality Act (CEQA) for Borrego Valley groundwater use. This policy was established by the Director of DPLU in October 2004, and revised in October 2006 and January 2007, in order to provide guidance to County staff in their preparation of projects involving discretionary land use permits or approvals, such as a grading permit, subdivision of land or a major use permit for a golf course.

These types of proposed projects, including public projects such as general plan amendments, are subject to review under CEQA. As part of a proposed project's CEQA review, the DPLU Borrego Valley Groundwater Mitigation Policy requires a project to be analyzed regarding its potential cumulative impact to groundwater resources, especially in respect to existing Borrego Valley overdraft conditions. Projects proposing to use groundwater resources in Borrego Valley are to include offsetting groundwater use reduction measures which will make up for the project's proposed groundwater use and result in "no net gain" in the overall rate or amount of extraction of local groundwater.

The policy specifies that, in order to achieve its "no net gain" objective, any offsetting groundwater use reduction measures must save an amount of groundwater elsewhere in Borrego Valley at least equivalent (1:1) to the proposed project's expected groundwater demand. The County suggests that land could be purchased which currently has existing groundwater uses associated with it. The County reasons that if the existing groundwater use on the purchased land were to be reduced by an amount equivalent to the groundwater demand of the proposed project, then there would be "no net gain" in the overall amount of groundwater extracted from the Borrego Valley aquifer; therefore, the existing overdraft condition would not be exacerbated by the proposed project's groundwater use.

The DPLU policy requires the project's applicant to propose a legally enforceable mechanism for achieving the groundwater use reduction on the other land. If the proposed project intends to develop single-family residences, any offsetting groundwater reduction measures are to be calculated using 0.95 acre-feet per year as the groundwater demand for each single-family residence. The estimated 0.95 acre-feet per year average demand was derived from Borrego WD analysis of four years of water use data from over 1,300 single-family residences in Borrego Valley.

While DPLU's 1:1 groundwater mitigation policy is lower than the Borrego WD's 2:1 mitigation requirements, the Borrego WD does not have the discretionary land use authority to implement its mitigation policy and instead relies on voluntary agreements with landowners seeking new services from the district.

The DPLU policy for CEQA evaluation of potential cumulative impacts to groundwater resources in Borrego Valley is guided by the following four principles:

1. Applicants for projects using groundwater resources in Borrego Valley are encouraged to include with their projects, offsetting groundwater use reduction measures which will make up for the project's proposed groundwater use and result in "no net gain" in the overall rate or amount of extraction of groundwater.
2. For projects where offsetting groundwater use reduction measures are not proposed as part of the project, except as provided in sections 3 and 4 below, an EIR will generally be required to be prepared in order to: analyze the significance of cumulative impacts to groundwater resources; propose mitigation measures; and to consider project alternatives.
3. For projects with previously approved environmental documents, the project must be assessed per the requirements of Section 15162 of the State CEQA Guidelines. If the project proposes to use more groundwater than initially proposed, then offsetting groundwater use reduction measures may be proposed and included in this analysis. If such measures are not included, the Section 15162 analysis may lead to a requirement to prepare a supplemental or subsequent EIR.
4. Proponents of some small projects may be able to demonstrate that potential cumulative impacts to groundwater resources are not significant, because the project's additional groundwater is not "cumulatively considerable."

The policy allows proposed projects that are anticipated to involve very small groundwater demands to demonstrate that the incremental groundwater demands of their individual projects are not "cumulatively considerable." To demonstrate this, project applicants are required to prepare analyses which consider the total water supply available, the number of potential groundwater uses that are likely to be developed in the Valley (based on existing and proposed land use designations), and the potential impacts of allowing the small project to go forward. The inclusion of appropriate mitigation measures are also allowed to be used as a basis for a determination that the incremental effects of a proposed project are not "cumulatively considerable."

According to this DPLU groundwater mitigation policy, if the identified potential impacts to groundwater resources in the Borrego Valley cannot be feasibly mitigated or avoided, the County would be required to deny the proposed project unless the County determines that the economic, legal, social, technological, or other benefits of the proposed project outweigh its unavoidable environmental impacts.

Borrego WD

Water Service and Infrastructure

Due to the Borrego Valley's surrounding topography and isolated location in San Diego County, as well as its physical distance from existing imported water infrastructure, the Borrego WD is dependent upon its underlying groundwater basin and its existing wells to provide water service to its customers. Please refer to Maps 2A and 2B for an overview of the current Borrego WD water and sewer service areas and respective spheres of influence.

The Borrego WD provides water service to three of its four improvement districts (ID) within its service area: ID-1, which originated in the early 1980's to provide water and sewer service for the Rams Hill Country Club subdivision and golf course; ID-3, which provides water service to the Borrego Springs Road and Yaqui Pass area for the Rancho Borrego and Deep Well Trail subdivisions and the La Casa del Zorro resort; and ID-4, which contains the majority of the residential neighborhoods in the unincorporated community of Borrego Springs.

The Borrego WD water systems are considered "floating" in reference to the water replenishment process that is utilized. This process automatically regulates the district's water storage replenishment system by activating the wells to pump additional groundwater only when the reservoirs reach a preset lower water limit. The Supervisory Control and Data Acquisition (SCADA) control system sends the on/off signals between the reservoirs and the wells via radio signals. The SCADA system graphs water levels of the reservoirs, tracks the pumping hours and alerts the 24-hour duty operator of any system failures.

Improvement District 1

The Borrego WD ID-1 water system has two pressure zones, the 900' and 1000' zones. The 900' pressure zone provides water service to the Rams Hill resort and the Santa Rosa, Santa Fe and Casitas neighborhoods. Two of the ID-1 wells serve as the principal water supply sources for its 1.25 million gallon (MG) steel reservoir: well ID1-8, which has a maximum capacity of 500,000 gallons per day (gpd); and well ID1-12 (maximum capacity of 1.37 million gallons per day (MGD)). Additional water supply can be pumped to the system from wells ID1-10 (maximum capacity of 940,000 gpd) and ID1-16 (maximum capacity 1.44 MGD).

The ID-1 1000' pressure zone is supplied by a 400,000 gallon steel reservoir which is fed off of the 1.25 MG reservoir by three boosters (maximum capacity of 2.80 MGD). All of the wells in ID-1 are connected to the San Diego Gas and Electric power grid. Static water pressures in ID-1 range from 60 to 100 psi.

Improvement District 3

The Borrego WD ID-3 water system is a subsystem of ID-1 and has one pressure zone of 800'. The ID-3 water system is also supplied from wells ID1-10 and ID1-16 to fill a 750,000 gallon reservoir. The reservoir is situated 100 feet above the ID-3 service area. Additional water supplies can be obtained from wells ID1-8 and ID1-12 and their

associated storage reservoirs. The static pressure in ID-3 is set at 100 to 120 psi from four pressure regulating stations.

Improvement District 4

The Borrego WD ID-4 has one water system on the 880' pressure zone. The system is fed by two wells operating continuously, ID4-2 (maximum capacity of 160,000 gpd) and ID4-10 (maximum capacity of 140,000 gpd). The two wells are used to fill four steel reservoirs with a total capacity of 1.6 MG. ID-4 also contains three supplemental wells: ID4-4 (maximum capacity of 940,000 gpd), ID4-11 (maximum capacity of 1.58 MGD), ID4-18 (maximum capacity of 470,000 gpd).

All of the ID-4 wells are connected to the San Diego Gas and Electric power grid. Well ID4-11 is also equipped with an emergency diesel power supply and 3000-gallon fuel tank. One additional emergency well, the Wilcox well (maximum capacity of 430,000 gpd), which is diesel powered and has a 750-gallon fuel tank. Static pressures in ID #4 range from 50 to 160 psi. The static pressure can vary by location and also when a supplemental well is activated to refill one of the water reservoirs.

Facility Needs

The Borrego WD's facility needs are based on engineering studies of anticipated water demands and pipeline network flow analysis. This method is intended to allow the district to be able to meet peak system demands, plus fire flows. The WD's Storage needs include regulations of daily demand, plus reserve storage that can be used if electric power service is interrupted. The Borrego WD's engineering department coordinates with the County of San Diego Department of Planning and Land Use (DPLU) and the Borrego Springs Community Sponsor Group to anticipate new developments requiring water and/or sewer service.

The Borrego WD's overall water distribution system infrastructure ranges in age and capacity between its ID areas. The primary infrastructure needs are in the ID-4 water system where there are several 4" and 6" water mains that are forty years old or older.

A site has been purchased that will accommodate an additional storage tank with a capacity of 500,000 gallons or more in ID-4. The majority of new infrastructure improvements will be financed by fees paid from associated development. Improvements to the WD's existing facilities (wells, pumps and pipelines) would come from the WD's water rate income.

Sewer Service and Infrastructure

The Borrego WD latent sewer service power was activated by LAFCO in 1980 in order for the district to provide sewer service to the Rams Hill development. LAFCO's authorization to provide sewer service was limited to a designated area within the district. This latent sewer service area was also given a service-specific sphere of influence that is coterminous with the sewer service area boundary.

The Borrego WD currently provides sewer and sewer treatment services from the Ram's Hill Wastewater Treatment Plant (WWTP) in ID-1 and ID-2 only. The WWTP has a sewer treatment design capacity of 250,000 gallons per day (gpd).

The WWTP system includes a comminutor (which pulverizes oversized solids that can cause jamming and damage to pumps and process equipment), a parshall flume (which measures the flow rate), a grit chamber (which removes larger, heavier particles such as sand and stones), an oxidation ditch, two secondary clarifiers, a flow equalization basin, three evaporation-percolation ponds, and sludge drying beds.

The WWTP provides sewer treatment service for approximately 20% of the community of Borrego Springs (the Rams Hill-Montesoro resort and the Town Center area). The remaining 80% of the community of Borrego Springs is currently utilizing individual subsurface septic tank disposal systems.

According to the Regional Water Quality Control Board for the Colorado River Basin Region, which regulates the waste discharge from the WWTP, current flows into the facility average approximately 60,000 gpd, which is equal to 24% of its total capacity. During the summer, flows average 20,000 gpd. Effluent from the WWTP is discharged to evaporation/percolation ponds. Sludge from the WWTP is discharged to on-site drying beds for stabilization, and removed every four to five years for off-site disposal.

The WWTP's remaining available sewer treatment capacity has been allocated to ID-1 and ID-2 for future development projects that are in the planning process. Additional local development projects are anticipated over the next 10-15 years, which may require expansion of the sewer treatment facility's capacity. Any additional areas seeking sewer service in the future would be required to pay for the construction of their necessary infrastructure.

Flood Control and Vector Control

The Borrego WD is authorized to provide flood control service across its district area. The WD currently provides flood control only to ID-1. Extensive flood control infrastructure was constructed in ID-1 in order to protect the Rams Hill development from unpredictable flash floods resulting from tropical storm events that can occur in the desert areas during the summer months.

The Borrego WD is authorized to provide vector control service across its district area. This service is primarily intended for eradication of the eye gnat and is performed by Borrego WD staff.

Infrastructure Deficiencies

The Borrego WD reports that no significant infrastructure deficiencies currently exist within their service areas. Any present deficiencies, such as older water mains, have been addressed through ongoing maintenance and are upgraded as necessary. Some water main replacements are expected to be financed by developers, which are required to improve system capacities to meet the anticipated needs of their associated developments and to provide 1,500 gallon-per-minute (gpm) fire hydrant flows for fire protection needs.

New wells will be installed by the Borrego WD as system demand increases and as the existing wells that are 40 years old, or older, fail. Additional water storage will be purchased from connection fees and funds collected by developers of new tracts.

Future Service Needs

The Borrego WD has received preliminary inquiries regarding the provision of water service to 252 dwelling units proposed on 676 acres adjacent to ID-1 along Yaqui Pass Road. The subject territory (Assessor's Parcel Nos. 200-140-05, -07, -08, -09, -10, and 200-030-24 and -35) is within the adopted sphere of the Borrego WD. The property owners would be required to fulfill the groundwater preservation mitigation provisions prior to the district consenting to an annexation.

Borrego Springs Park CSD

Water Service and Infrastructure

The Borrego Springs Park CSD is also dependant on groundwater extraction from the underlying Borrego Valley aquifer. The CSD reports that, as of June 2005, it supplied water service to 171 "home and condominium units" and a 100 room hotel/resort via 140 service connections. The CSD calculated this to be equal to 271 equivalent dwelling units (EDU). The CSD also reported that it employs an on-call certified system operator by contract. Please refer to Map 3 for an overview of the current Borrego Springs Park CSD service area and sphere of influence.

The Borrego Springs Park CSD estimated that it served 271 EDU; however, this figure included the 100 completed hotel units which are not continuously occupied. The CSD stated that it provided water service to 128 EDUs (92 condo and 36 R-1 units) in its "core area," and calculated a projected annual demand of 73 acre-feet (assuming a 0.57 acre-foot yearly use per EDU). One acre-foot is equivalent to approximately 325,851 gallons. In April 2005, the Borrego Springs Park CSD reported a total water production of 42.5 acre feet and a total usage of 26.5 acre feet, which implies approximately 16 acre-feet (37.7%) of unaccounted usage.

In July 2007, the Borrego Springs Park CSD reported that the U.S. Department of Agriculture (USDA) had determined that a total of 324 EDUs exist within its service area. The CSD also stated that its total water use for 2006 was 247.9 acre feet, which included: 150 acre feet from metered use; 76.54 acre feet for the par 3 golf course; 2.37 acre feet for the wastewater treatment plant; and 18.94 acre feet (7.6%) of "unmetered usage."

The discrepancies between the reported Borrego Springs Park CSD annual water usages are attributed to changes in CSD management and reflect the difficulty in accurately monitoring the local groundwater extraction in the Borrego Valley.

Infrastructure Deficiencies

The Borrego Springs Park CSD has two storage tanks with a combined capacity of 20,000 gallons. According to the CSD, the County of San Diego has required the CSD to have 100,000 gallons of storage to meet pre-1991 service area demands. The CSD is currently pursuing grant or low interest loan funding from the USDA to solve the storage deficiency. Another potential solution is an intertie between the CSD and the Borrego WD ID-4 that would allow the CSD to utilize the WD's available water storage to satisfy the County requirements.

The Borrego Springs Park CSD has previously utilized two wells, well No. 1 and No. 4, for its water supply needs. Well No. 1 is privately owned by a landowner within the CSD; well No. 4 is owned by the CSD. As of March 2004, well No. 4 has been in a state of failure due to its collapse. The failure of well No. 4 has forced the CSD to use an additional well, well No. 5, as its sole groundwater source. Well No. 5 was also privately owned by a landowner within the CSD until its title was recently acquired by the CSD . The San Diego County Department of Environmental Health had notified the CSD that it was in violation of the State Water Code because it had been using an unapproved source of water supply.

Department of Environmental Health Citations

In a letter dated April 20, 2005, the San Diego County Department of Environmental Health (DEH) issued a citation and \$1,000 fine to the Borrego Springs Park CSD for non-compliance with the California Safe Drinking Water Act for the following violations:

- Failure to comply with the primary drinking water standard for bacteriological quality;
- Failure to immediately notify DEH and its customers of a significant rise in bacterial count; and
- Failure to conduct repeat sampling within 24 hours of being notified that a routine sample was positive for fecal coliform contamination

The citation also stated that the Borrego Springs Park CSD was using an unapproved source of water supply, as the CSD, at that time, was not the owner of Well No. 5, which serves as the sole source of groundwater for the CSD water system. The DEH concluded that Well No. 5 was most likely to have been contaminated via a direct unprotected opening into the well. The CSD's system operator did not have direct access to the privately-owned well and needed prior permission from the owner to service the well or its equipment.

The DEH citation required the Borrego Springs Park CSD to establish a reliable source of water within 60 days from the date of the citation, or employ alternate options. The citation noted that the Borrego WD staff had reported to DEH that they were able and willing to supply water to the CSD. This potential water agreement would require an approximate ¼ mile pipeline extension and was estimated to be potentially completed within a two-week period.

In a letter dated October 11, 2005, the DEH issued a Citation for Noncompliance to the Board of the Borrego Springs Park CSD for continuing to utilize an unapproved source of water supply. The DEH has specified several compliance options for the CSD including a consolidation with the Borrego WD.

Santiago Estates Mobile Home Park

The 97-space Santiago Estates Mobile Home Park is located within the boundaries of the Borrego Springs Park CSD and contains an approximate total of 70 mobile home units with an estimated population of 275. The Santiago Estates area has been located within the CSD's boundaries since its formation; however, the mobile home park has

relied on its own private well for water service, and an on-site septic system for sewer service. In February 2005, the Santiago Estates well failed due to collapse of the well's casing, which necessitated the use of an emergency back-up connection to the Borrego Springs Park CSD's water system.

Since that time, this emergency water connection has remained the primary water source for Santiago Estates and has resulted in an October 2006 citation notice from DEH in association with the CSD's unauthorized water source, and nitrate contamination in its existing groundwater supply. DEH has required Santiago Estates to provide a reliable source of potable water within 30 days from the Compliance Order date and has specified three potential options for compliance: a treatment system for removal of nitrates; drilling of a new water supply; or annexation to the Borrego WD.

The management of Santiago Estates subsequently submitted a reorganization application with San Diego LAFCO that proposes to detach the mobile home park area from the CSD and annex it to the Borrego WD. This reorganization would both comply with the DEH citation that requires Santiago Estates to obtain its water from an approved source, and provide a more reliable water source for its residents. The reorganization proposal (RO06-32, "Santiago Estates Reorganization") is currently being processed by LAFCO and has received the support of both the Borrego Springs Park CSD and the Borrego WD.

On November 1, 2006, in response to the health and safety emergency situation, the LAFCO Executive Officer administratively approved a contractual service agreement between the Santiago Estates landowner and the Borrego WD for the provision of water service. The administrative approval allows for temporary connection to the WD in anticipation of the pending proposed reorganization.

Sewer Service and Infrastructure

The Borrego Springs Park CSD had utilized an aerated wastewater treatment system to serve its existing sewer demands prior to 1991. The CSD and a landowner/developer expanded the wastewater treatment facility in 1992 by constructing a tertiary wastewater treatment facility with an ultimate design treatment capacity of 230,000 gallons per day (gpd).

The facility expansion was in anticipation of a development within the CSD known as Specific Plan Amendment 92-001 (SPA 92-001) which was approved by the County of San Diego in June 1993. The first phase of the wastewater treatment facility expansion was completed in 1995 and provided 100,000 gpd of treatment capacity. The remaining phases of the facility expansion are pending and have been delayed due to a lack of associated new development demand.

Other Services provided by the CSD

The Borrego Springs Park CSD is authorized to provide the following additional municipal services: Street Lighting, Solid Waste Collection/Disposal, Road Improvement/Maintenance, and Park and Recreation. The CSD's Park and Recreation services are provided via the ongoing maintenance of its golf course. The CSD collects

and disposes of solid waste from its residences and is responsible for street lighting and maintenance of the roads within its boundary.

Future Service Needs

The County of San Diego-approved SPA 92-001 involves a planned total of 838 EDUs, a 210 unit hotel, a golf course, and an 11 acre park. As of 2005, the CSD reports that only the golf course and 100 of the hotel units have been completed. The CSD estimates that 838 EDUs would require approximately 477.66 acre feet per year of groundwater, assuming a 0.57 acre-foot yearly use per EDU. Since the County approved SPA 92-001, local growth in the Borrego Valley has not kept pace with projections and the completion of the development has been incremental.

FINANCIAL

Borrego WD

Operations of the Borrego WD are generally financed by its water rates. Several major projects have been financed with bond issues, which have dedicated water rate revenue for their debt service. All new development must pay for its required infrastructure, which may include pipelines, wells, pumps, storage facilities, and related engineering costs for any needed improvements. The Borrego WD maintains cash reserves to cover the cost of facility replacements and emergencies.

The Borrego WD Board adopts an annual budget and receives monthly comparisons from the WD's management concerning any differences between actual and budgeted figures. According to the Borrego WD fiscal year 2006 budget, the WD will break even, with total revenue estimated at \$2,883,000, and total expenses at \$2,883,000. This budget estimates the WD's water revenues at \$2,132,939; availability charges at \$314,100; sewer revenues at \$270,711; "other income" at \$91,300; and interest income at \$73,950.

Financial statements submitted by the Borrego WD include an independent auditors' report for fiscal year 2005. The auditors' financial highlights indicate: that the WD had an unprecedented increase in meter service installations, which it attributed to a strong local real estate market; the WD's net assets increased by 2.83%, from \$13,666,628 to \$14,054,040; and that, compared to the previous year, the WD's total revenues increased by 4.8% to \$3.11 million, and total expenses had decreased by 5.7% to \$2.72 million.

Fees and Assessments

Each of the four Improvement Districts within the Borrego WD has its own fee and assessment schedules. The fees and assessments vary according to the specific services performed, and the bonded indebtedness in place at the time of the ID formation. The following is a description of the types of service fees and grants collected by the Borrego WD.

Water Service

All Borrego WD consumption water fees are calculated per 100 cubic feet (HCF) (HCF = 748 gallons) of use, and include: a monthly readiness-to-serve charge based upon meter size; Meter installation charges (based upon size of meter); and connection fees. At the time of an application for a water meter, existing single-family lots will be charged a Groundwater Preservation fee of \$3,250.00 per lot, which is in addition to the meter installation costs.

The collected Groundwater Preservation fees are retained in a special account to be used for Groundwater preservation purposes, including reduction of the rate of overdraft, and acquiring additional supplies of water for an aquifer recharge program. The following describes the water charges in ID-1, ID-3, and ID-4 as of July 2004.

ID-1 water fees are \$1.02 per HCF and readiness-to-serve charges range from \$15.65 per month for a 5/8" meter, to \$211.50 per month for a 4" meter. Meter installation charges range from \$230.00 for a 3/4" meter with meter box, to \$900.00 for a 2" meter with meter box. New or discontinued service activation is \$340.00, regardless of meter size.

ID-3 water fees are \$1.23 per HCF, and readiness-to-serve charges range from \$15.65 per month for a 5/8" meter, to \$211.50 per month for a 4" meter. New domestic water service connections are charged \$2,530.00. New service laterals are charged \$500.00 for a short lateral, and \$1,900.00 for a long lateral (street crossing). Meter installation charges range from \$600.00 for a 3/4" meter with meter box, to \$1,250.00 for a 2" meter with meter box. New or discontinued service activation is \$340.00, regardless of meter size.

ID-4 water fees are \$1.12 per HCF, and readiness-to-serve charges range from \$15.65 per month for a 5/8" meter, to \$211.50 per month for a 4" meter. New domestic water service connections are charged \$2,530.00. New service laterals are charged \$500.00 for a short lateral, and \$1,900.00 for a long lateral (street crossing). Meter installation charges range from \$600.00 for a 3/4" meter with meter box, to \$1,250.00 for a 2" meter with meter box. New or discontinued service activation is \$340.00, regardless of meter size.

Sewer Service

Borrego WD provides sewer service to ID-1 and ID-2 only. Monthly sewer charges are based on an equivalent dwelling unit (EDU) usage of 250 gallons per day (gpd) of sewage flow. A mobile home is considered 1/2 EDU, and a RV unit is considered 1/4 EDU. Commercial project EDU requirements will be determined by Borrego WD staff from a project specific flow analysis report prepared by the developer. The following describes the sewer charges in ID-1 and ID-2:

The ID-1 monthly sewer rate is \$17.14, plus \$4.16 (the portion of the yearly assessment of \$66.00 allocated to sewer usage) for a monthly total of \$21.30. New sewer connections are charged a \$250.00 fee.

The ID-2 sewer rate is \$19.42 and the user fee is \$10.00, for a monthly total of \$29.42. ID-2 sewer charge formulas are established by the 1988 Town Center Sewer

Agreement, which defines the monthly sewer fee structure for ID-2, and specifies a connection fee of at least \$1,200 and a treatment facility expansion charge of \$500 for each new equivalent dwelling unit (EDU) that connects to the ID-2 sewer system.

Grants

The Borrego WD actively pursues various available grants such as the Local Groundwater Assistance Act of 2000. The Borrego WD was awarded \$171,000 in 2003 from the DWR for the installation of 2 monitor wells, and was awarded another DWR Grant of \$193,000 in 2005 for the construction of two additional monitor wells.

Recent Fee Increases/Decreases

The Borrego WD recently implemented one phase of their 2:1 Groundwater Preservation Fee which currently sets a \$3,250.00 charge per single-family home. There have been no basic water rate changes during the past 3 years, other than the July 2003 addition of 8 cents per HCF of water used to cover Groundwater Management charges.

In July of 2004, fee increases were made for water meter installation service in order to cover increased installation-related costs. The meter installation fees had not been revised since 1994. Also in July 2004, the Borrego WD reports that the Treatment Plant Expansion Charge for new sewer connections was increased in ID-2, per the formula in the 1988 Town Center Sewer Agreement, from \$582 to \$713 per connection. Sewer fees were also increased in ID-1 to \$21.30 per month.

In May 2007, the Borrego WD Board adopted a decrease to its groundwater preservation fee from \$4,168.00 to \$3,250.00 per single-family home as part of the revision of the 3:1 groundwater mitigation policy to a 2:1 ratio.

Opportunities for rate restructuring

The Borrego WD is investigating the feasibility of instituting an inverted Tier Rate structure encompassing four Tiers in three user types (Residential, Commercial and Irrigation). This program would be used to encourage the conservation of water within the Borrego Valley by increasing the user's groundwater costs as their consumption exceeds the base allocation per tier.

Expenditures/Debts

In 1979, the Borrego WD was reactivated, with the approval of LAFCO, and a 3,000-acre tract was annexed to serve the planned Ram's Hill development project, which became ID-1. In 1982, the Borrego WD held a special election for authorization of the issuance of two series of general obligation bonds, Series A for \$5.9 million and Series B for \$4.45 million, to purchase the water, sewer, and flood control facilities owned and constructed by the landowner of the Rams Hill development.

In 1986, The Borrego WD Board of Directors voted to issue and sell Advance Refunding Bonds totaling \$11.22 million in order to refinance the 1982 bonds at a lower interest rate. A general obligation bond issue of \$2.85 million was approved in 1987 to pay for the water, sewer, and flood control facilities.

In 1996, The Rams Hill development was delinquent on \$3.05 million in assessments owed to the Borrego WD. The assessments were levied to pay debt service on the bonds previously issued in 1987, as well as maintenance, operation, and administration costs related to the WD and ID-1. The Borrego WD Board decided to refinance the 1987 bonds and delinquent assessments by establishing a Community Facilities District (CFD No. 95-1) and issuing Mello-Roos bonds.

On July 31, 1996, CFD 95-1 issued \$11 million in special tax bonds to advance refund the 1987 bonds; pay the costs of issuance of the 1996 bonds; repay the bond anticipation note; pay the underwriter's discount; and deposit \$10,000 in the Community Facilities District Administrative Fund. The submitted Borrego WD financial statements state that the 1996 bonds do not constitute an indebtedness of the WD and are payable solely from the assessments collected from CFD No. 95-1, less administrative costs. In the opinion of the WD management and counsel, the WD is not obligated to the payment of principal or interest on the bonds, and in essence, the WD serves only as an agent for the property owners/bondholders in collecting and forwarding the funds.

The community of Borrego Springs voted to annex to the Borrego WD in 1997. The WD purchased the assets of the Borrego Springs Water Company, which had provided water service to the community, and renamed it ID-4. The Borrego Springs voters approved a \$1.9 million bond issue in 1997 to acquire the Borrego Springs Water Company's water system facilities, and approved an additional bond issue in 1998 of \$1.665 million to acquire and construct water system improvements for ID-4.

In 2007, CFD 95-1 was refinanced by the Borrego WD, which reduced the interest rate from 8% to 5% and redistributed the tax among larger future lots. Assessments are now collected under CFD 2007-1, which was renamed Montesorio by the new owners of the Rams Hill Resort.

Reserves and Insurance

The Borrego WD Board has adopted a reserve policy to reserve and designate unrestricted net assets. The reserves and designation are intended to identify the intentions of the Board for the net assets that are not legally restricted. The WD reports a total reserve balance of \$4.72 million for the end of fiscal year 2005.

Since 1983, the Borrego WD has participated in the Association of California Water Agencies Joint powers Insurance Authority (JPIA), a risk-pooling self-insurance authority. The purpose of the JPIA is to arrange and administer insurance programs in order to pool potential losses and purchases of excess insurance coverage.

Borrego Springs Park CSD

In September 2005, the Borrego Springs Park CSD reported the following financial statement summary for fiscal years 1999-2004. The fiscal year for the CSD is July 1 to June 30.

Fiscal Year	1999	2000	2001	2002	2003	2004
Cash/Receivables	\$112,024	\$98,071	\$95,241	\$132,975	\$149,586	\$169,891
Property/Equipment	\$388,697	\$413,139	\$417,144	\$417,147	\$417,147	\$417,147
Water Sales	\$61,593	\$92,025	\$95,994	\$85,268	\$86,716	\$87,545
Total Revenues	\$249,970	\$265,674	\$260,319	\$282,061	\$291,962	\$305,161
Total Expenses	\$262,293	\$251,759	\$276,907	\$264,707	\$288,327	\$300,007
Profit (Loss)	(\$12,323)	\$13,915	(\$16,588)	\$18,112	\$4,263	\$5,336

The Borrego Springs Park CSD's September 2005 information also estimated that, from July 2004 to April 2005, the CSD had water sales revenue of \$68,475 from 169 service connections. Based on these figures, the CSD estimated its annual water sales revenue at \$540 per connection, or \$91,300. The CSD provided a comparison of the July-April period of 2005 with 2004, which reflects that the CSD was running a current deficit of \$12,125 as compared with the previous year.

A preliminary budget for the 2006 fiscal year estimated that the CSD would operate at a loss of \$45,456, with total income of \$296,209 and total expenses of \$341,665. This preliminary budget did not include potential staff salary increases, meter or fire hydrant replacement, repair or replacement of failed well No. 4, or any other infrastructure needs.

In July 2007, the Borrego Springs Park CSD submitted additional financial data for the 2006 fiscal year and proposed financial data for the 2007 fiscal year. The CSD's Statement of Revenue and Expense for fiscal year 2006 states that the CSD had total income of \$308,052.06, and total expenses of \$363,891.41, which equates to a net deficit of \$55,839.55. For fiscal year 2006, the Borrego Springs Park CSD reported a total of \$145,728.06 in water revenue, \$37,095.05 in property tax availability charges, \$95,264.32 in sewer charges, and \$29,964.63 in "other income" (sales of annual/monthly golf memberships, play booklets, and "BSPCSD Honor Box," etc.). Fiscal year 2006 expenses were led by wages and salaries (\$78,088.11), legal services (\$49,983.91), insurance (\$30,619.00), trash removal (\$27,025.20), sewer water quality specialists (\$21,889.73), and water quality specialists (\$15,377.99).

The Borrego Springs Park CSD's proposed fiscal year 2007 budget projects revenues of \$380,274.92 and expenses of \$380,200, for a surplus of \$74.92. The CSD's projected 2007 revenues are based on the implementation of a new Rate Ordinance that is expected to be effective in October 2007. The following section describes the new Rate Ordinance in greater detail.

Fees and Assessments

The Borrego Springs Park CSD bills its ratepayers every two months for water, sewer and CSD fees. Annual landowner water and sewer stand-by fees are assessed at \$15.00 per lot, and CSD and water stand-by fees at \$15.00 per acre.

On May 8, 1982, the Borrego Springs Park CSD Board of Directors adopted its "Ordinance No. 1," which established the CSD's rates, rules, and regulations. This ordinance serves as an administrative code for the CSD to implement its services to its customers. Each of the ordinance articles are titled in reference to its subject matter and contain the terms, definitions and conditions of water and sewer service provision. The following is a summary of the ordinance's articles regarding its water and sewer rates and services:

Article VIII, Water Meters and Services: specifies the terms for the provision of water service. Each connection to the CSD's water system is required to be metered, at the expense of the customer. The water meters are to be read and billed on a monthly or bi-monthly basis.

Article IX, Sewer Service and Laterals: specifies the terms for the provision of sewer service. All domestic sewer laterals are required to be four inches (4") or larger in diameter. The construction cost of sewer laterals is to be paid by the customer.

Article XI, Billing: specifies the billing and payment methods for the CSD's customers.

Article XV, Private Fire Protection Service: specifies the process and costs for installing a water connection for fire protection purposes such as a sprinkler system. This water connection is completely separate from the regular water connection to the location and is billed from a different meter. The size of the connection ranges from 3" to 8" and the CSD installation charges range from \$200 to \$1,500, as of 1982. Any water consumption recorded on the fire protection system meter is charged at double the water service rate, except when used to extinguish accidental fires that have been reported to the fire protection authorities.

Article XVI, Temporary Service: specifies the conditions related to temporary service connections. All temporary connections are limited to a six-month period of service, unless the CSD grants a written extension of time. The temporary service applicant is required to submit an advance deposit to cover the CSD's estimated costs for installing and removing the necessary facilities. As of 1982, the rate for temporary service was \$1.00 per 4,000 gallons, with a \$10 minimum charge.

Article XVIII, Rates: specifies the rate schedule for water and sewer services. At the time of the ordinance's adoption, water service customers were charged a flat monthly rate of \$10, with metered services being charged by quantity of cubic feet used per month. For 0 to 20,000 cubic feet, the rate was \$.50 per 100 cubic feet (HCF) (HCF = 100 cubic feet, or 748 gallons). Metered consumption over 20,000 cubic feet was charged at \$.40 per HCF. Monthly minimum charges for metered services ranged from

\$10 per month for a 5/8-3/4" meter connection, to \$40 per month for a 2" meter connection.

The Borrego Springs Park CSD ordinance also applied a monthly water standby or availability charge to all land within the district not having an active service connection. The standby charge is to be assessed without regard to whether or not water service is actually available to the subject parcel. This standby charge varied by lot size, with a \$4 per acre yearly charge for parcels one acre in size or larger, and a flat \$4 per year charge for parcels less than one acre in size.

The ordinance requires all irrigation customers to have a minimum 2" connection. Irrigation use is charged at \$100 per acre-foot. Sewer customers were charged a flat rate of \$5 per month for house and condominium connections. The CSD also specified its Community Services District Fee: houses and condominiums were charged a flat \$5 per month; unimproved lots were charged \$1 per lot, per year; and all acreage was charged \$1 per acre, per year.

2005 Reported Water Rates

The Borrego Springs Park CSD reported its 2005 water rate schedule as based on five different meter sizes (ranging from 3/4" to 3"), with each meter size having a base rate for a minimum amount of water consumption, and an excess rate for all water use over the base amount. The CSD stated that its base rate per acre-foot was \$720.19 (\$2.20 per 1,000 gallons, \$1.65 per HCF), and \$479.00 per acre-foot (\$1.47 per 1,000 gallons, \$1.10 per HCF) for all consumption in excess of the base allocation. Emergency water service charges were \$2.21 per 1,000 gallons (\$1.65 per HCF), or \$721.51 per acre-foot, and excess water consumption over the base amount was charged at \$479.19 per acre-foot (\$1.47 per 1,000 gallons, \$1.10 per HCF).

2007 Rate Ordinance

On July 21, 2007, the Borrego Springs Park CSD Board of Directors preliminarily approved a new Rate Ordinance that increases its water and sewer service charges in October 2007. All other CSD fees were unchanged. In correspondence to its landowners and ratepayers, the CSD explained the increase as necessary to meet its budgetary requirements and minimum expense projections. The CSD also offered a comparison between the rates of the Borrego WD, the current CSD rates, and the new CSD rates.

The Borrego Springs Park CSD water charges are based on the size of the meter connection and its associated minimum base amount of water usage. Any water use in excess of the minimum base amount is now charged at \$2.29 / HCF, which increased from the previous rate of \$1.10 / HCF. This new rate schedule reduces the base water amount for all meter sizes, increases the costs of each base water amount; and more than doubles the charge for water use in excess of the base amount.

The following table displays the meter size usage base rates (readiness to serve charge) and base water amount, and provides a comparison with the previous rate and base amount.

Meter size	Old Rate	New Rate	Old Base Water Amount	New Base Water Amount
3/4"	\$65.00	\$100.00	up to 40 HCF (min)	up to 40 HCF (min)
1"	\$100.00	\$115.00	to 60 HCF	to 45 HCF
1-1/2"	\$165.00	\$205.00	to 100 HCF	to 85 HCF
2"	\$265.00	\$315.00	to 160 HCF	to 140 HCF
3"	\$400.00	\$465.00	to 240 HCF	to 210 HCF

The Borrego Springs Park CSD sewer service charges are assessed per equivalent dwelling unit (EDU). The new Rate Ordinance increases the sewer charge from \$55.00 to \$64.00 per EDU. Hotel sewer connections are now charged at \$1.30 per HCF of water rather than per EDU because of the varying levels of occupancy and availability of more frequently measured water flow data.

Debts and Reserves

The Borrego Springs Park CSD reported that, as of 2005, it had no current or bonded indebtedness. The Borrego Springs Park CSD reported that, as of 2005, it had a cash reserve in excess of \$100,000. Updated financial information submitted by the CSD for fiscal year 2006 reflects a cash reserve total of \$28,574.66.

ADMINISTRATION AND GOVERNANCE

Borrego WD

Board of Directors

The Borrego WD is governed by an elected Board of Directors that is comprised of five directors elected district-wide. One of the directors serves as President of the Board, as chosen by majority vote of the Board. Regular meetings of the Board are held at 9 am on the fourth Wednesday of each month at the District's offices. The District reports to be in compliance with provisions of the Brown Act. Its monthly agenda includes a scheduled time for public comment and is available upon request.

Management/Staff

The Borrego WD reports a total of 13 employees, including a general manager, assistant general manager, operations manager, district engineer, consulting engineer, and general counsel. The Borrego WD operational manager is responsible for the day-to-day operations of the WD. The Borrego WD general manager is responsible for the administrative management and implementation of Board policies.

Public Input

The Borrego WD holds regular public meetings of its Board where the public is allowed to address the Board members for a specified time. The District maintains an internet website where the public can download board agendas and minutes as well as district information, including water quality data and groundwater preservation plans.

Borrego Springs Park CSD

Board of Directors

The Borrego Springs Park CSD is administered by a Board of Directors comprised of five directors that are elected district-wide. One of the directors serves as President of the Board, as chosen by majority vote of the Board. The Board regularly meets on the third Saturday of each month, and reports to be in compliance with provisions of the Brown Act.

Management/Staff

The Borrego Springs Park CSD has recently employed a General Manager to manage the daily affairs of the district under the direction of the Board. The General Manager position is responsible for the implementation of the policies of the Board and management of staff and contract labor. Legal, engineering, and other professional services are provided to the CSD by contract, as necessary.

The district's General Manager oversees the certified facility operators for both water and wastewater operations. Currently, the CSD is having its administrative duties (accounting, billing, and meter reading services) performed by the Borrego WD on a contractual basis. Prior to the CSD's most recent General Manager, the CSD had contracted with the Borrego WD for administrative and operational staff support services. This contractual relationship continued until 2005 when the CSD board declined consolidation with the WD.

In 2005, the previous General Manager of the Borrego Springs Park CSD reported that there was an absence of staff and administrative organization. The CSD General Manager stated that its Board of Directors have relied on "minute actions" rather than "resolutions" or "ordinances" to control the CSD's affairs. The General Manager stated that there is a need for Board training and education as its ordinances are not codified, its resolutions are not ordered, and its files, records, and system data are not properly maintained. In 2007, a new Board of Directors and new General Manager have stated their commitment to address these issues and have engaged in efforts to update the governing ordinances of the CSD.

Public Input

The Borrego Springs Park CSD does not operate an internet website for public access to its Board meeting schedules, agendas, or minutes; however, the board agenda does include a scheduled time for public comment. While the CSD has a small customer base, its public access and transparency in its operations and budget does not meet the levels of the Borrego WD. This lack of transparency can create uncertainty within the

CSD's customers as well as the surrounding local community in regards to the goals and efficiency of the CSD's provision of municipal services.

Potential Consolidation: Borrego WD – Borrego Springs Park CSD

The Borrego WD was formed by local landowners in 1962 in an effort to protect the Borrego Valley groundwater and deter its potential exportation. At the time of the Borrego Springs Park CSD's formation in 1965, the Borrego Springs Chamber of Commerce and the Borrego Springs Fire Protection District each submitted letters in opposition because of their concerns related to duplication of services and fragmentation of jurisdictional authority.

Since the Borrego WD's latent water power was activated by LAFCO in 1979, the California Department of Water Resources (DWR) has designated it as the primary Borrego Valley groundwater management agency. The WD has developed and adopted a groundwater management program to preserve and protect the Borrego Valley Aquifer; however, its implementation has been largely incremental because of the inherent groundwater rights retained by local landowners.

Private wells outside of the Borrego WD boundary, as well as private wells inside of the WD's boundary such as the Borrego Springs Park CSD, draw from the same groundwater source as the Borrego WD, but are not subject to the district's policies. Typically, private property adjacent to the WD obtains its water service by drilling a well. Property owners attempting to subdivide usually seek annexation to the WD in order to satisfy County of San Diego requirements for reliable water service including fire service flow.

In the 1987 LAFCO staff report for the Borrego Springs Park CSD's sphere establishment, it states that, "if for any reason the BSPCSD were unable to continue to provide sewer or water services, or if the district were to decide to discontinue providing these services, the most likely agency to assume the water and sewer services would be the Borrego WD." LAFCO subsequently adopted a coterminous sphere designation for the CSD, which indicates that, as the CSD is not anticipated to provide services to areas outside of its current service area boundary, its sphere of influence is coterminous with its service area.

In 1987, LAFCO also adopted a larger-than-area sphere for the Borrego WD, which includes the entire service area of the Borrego Springs Park CSD. This sphere designation indicates that the WD is anticipated to eventually provide services to the CSD area. A potential consolidation between the WD and the CSD could be facilitated by assigning a transitional (zero) sphere designation to the CSD. A transitional sphere of influence is used when an agency is anticipated to be dissolved or consolidated with another agency.

Potential Advantages/Disadvantages of Consolidation

The potential consolidation between the Borrego WD and the Borrego Springs Park CSD has been previously discussed by the districts in order to have one public agency manage the common Borrego Valley groundwater basin. As the Borrego WD has been designated by the State of California as the primary groundwater management agency

for the Borrego Valley since 1984, and the Borrego Springs Park CSD is 100% surrounded by the Borrego WD's service boundary, consolidation of the two districts would help facilitate the Borrego WD's groundwater preservation programs and policies for the underlying Borrego Valley Aquifer.

Borrego WD has indicated that the Borrego Springs Park CSD does not have a Groundwater Management Plan and that the CSD's present fee structure encourages excess groundwater usage. The Borrego Springs Park CSD customers are charged less for water in excess of the basic allotment, which serves to discourage the conservation of groundwater.

The Borrego WD has described plans to create Improvement District No. 5 (ID-5) to manage and operate the current Borrego Springs Park CSD service area. Borrego WD feels that a potential consolidation with the CSD appears to be logical in order to have one agency manage the common groundwater basin. As Borrego Springs Park CSD has insufficient water storage, Borrego WD states that it can provide water storage tanks at elevations that can efficiently serve both areas, and that it is planning for additional water storage capacity.

Previous discussions between the districts led to the Borrego WD requesting and receiving a legislative change to the California Water Code to allow the WD to continue providing the Park and Recreation services of the CSD that are not authorized by WD's principal act. Consolidation would also allow Borrego Springs Park CSD voters to participate in Borrego WD Board elections.

Borrego Springs Park CSD currently relies on one privately owned well that utilizes electric power. Borrego WD states that it has two backup diesel well pumps that are available during the event of a SDG&E Company power outage, and that it employs professional engineering support under contract and has three certified operators on staff. The Borrego WD has also addressed the financial implications of a potential consolidation. The assets of the dissolved district would be held by the Borrego WD as the successor agency. The current CSD assets would be used to fund the current CSD expenses for labor, electric power and other operating costs.

A recent consolidation obstacle was the Borrego Springs Park CSD's lack of ownership of its sewer treatment plant and groundwater source Well No. 5. These facilities were previously owned by a private landowner within the CSD. The lack of ownership of the district's water and sewer facilities had led to several citations and fines from the County Department of Environmental Health (DEH).

In 2007, the Borrego Springs Park CSD completed negotiations with the facilities owner for the transfer of the titles for Well No. 5 and the sewer treatment plant to the CSD. In addition, the Borrego WD Well No. 4 has recently failed and the WD has indicated that a consolidation and construction of an intertie would allow the WD to utilize the CSD Well No. 5 as a substitute.

Consolidation would also present a potential need for the Borrego WD to improve the Borrego Springs Park CSD's infrastructure system WD's standards. As the Borrego WD's improvement districts are economically separated from each other in terms of rates and bonded indebtedness, any needed improvements for the proposed ID-5 would

most likely be financed through issuance of bonds that would be repaid by the ID-5 customers.

The Borrego WD and Borrego Springs Park CSD have engaged in ongoing consolidation sub-committee meetings during 2007. Additional discussions regarding final terms and conditions of a consolidation between the district's Board of Directors are expected into early 2008.

MUNICIPAL SERVICE REVIEW DETERMINATIONS

When establishing or updating spheres of influence, Government Code § 56430 requires LAFCO to conduct a comprehensive review of the provision of municipal services in a specified geographical area and prepare a written statement of its determinations in regards to nine categories. The MSR Determinations are declaratory statements that make a conclusion, based on all the information presented to the Commission.

The MSR determinations are derived from a comprehensive review of local agency service provision information. This review and evaluation establishes the basis for the Commission's determinations and conclusions about the adequacy of service provision. The Commission, other public agencies, or the general public may use the determinations to provide guidance for future decisions; however, the determinations themselves are potential options and do not represent recommendations for specific actions that the Commission should adopt.

Determination 1: INFRASTRUCTURE NEEDS OR DEFICIENCIES

In requiring LAFCO to prepare a municipal service review when establishing or periodically updating spheres of influence, the California State Legislature has emphasized one of LAFCO's core missions: to encourage the efficient provision of public services. An agency's existing infrastructure needs or deficiencies can impact the efficient delivery of its public services to its service area. This determination is intended to address the adequacy of existing and planned public facilities in relation to how public services are currently provided to citizens within the subject agency's service area, and how the agency plans to provide those services in the future.

Infrastructure can be evaluated in terms of its capacities, conditions, availability, and quality, as well as by examining the correlations between the subject agency's operational, capital improvement, and finance plans. While unmet infrastructure needs may be due to budget constraints or other factors, early identification of existing and expected infrastructure deficiencies may promote public understanding and support for needed improvements.

Determination 1.0 Due to the Borrego Valley's surrounding topography and isolated location in San Diego County, as well as its physical distance from existing imported water infrastructure, the Borrego WD and Borrego Springs Park CSD are both dependent upon the underlying groundwater basin and existing wells to provide water service to its customers. This local condition makes groundwater management and

preservation a top priority for the long-term sustainability of the Borrego Valley MSR Area.

Determination 1.1 The Borrego Springs Park CSD has been cited by the County Department of Health as being in violation of the California Safe Drinking Water Act provisions for utilizing an unauthorized water source as well as for fecal and nitrate contamination events involving their groundwater supply.

Determination 1.2 As of May 30, 2007, the Borrego Springs Park CSD has acquired the titles to their primary groundwater and sewer facilities from their private owner. This action should remove the DEH citation for utilizing an unauthorized water source

Determination 1.3 The Borrego Springs Park CSD does not currently have sufficient existing water storage facilities to fulfill the County of San Diego's requirement for the CSD to have 100,000 gallons of storage to meet pre-1991 service area demands.

Determination 1.4 The Borrego WD's facility needs are based on engineering studies of anticipated water demands and pipeline network flow analysis. This method is intended to allow the district to be able to meet peak system demands, plus fire flows. The WD's Storage needs include regulations of daily demand, plus reserve storage that can be used if electric power service is interrupted.

Determination 1.5 The Borrego WD's engineering department coordinates with the County of San Diego Department of Planning and Land Use (DPLU) and the Borrego Springs Community Sponsor Group to anticipate new developments requiring water and/or sewer service.

Determination 1.6 The Borrego WD's overall water distribution system infrastructure varies in age and capacity between its ID areas. The primary infrastructure needs are in the ID-4 water system where there are several 4" and 6" water mains that are forty years old or older.

Determination 1.7 A site has been purchased by the Borrego WD that will accommodate an additional storage tank with a capacity of 500,000 gallons or more in ID-4. The Borrego Springs Park CSD is engaged in discussions with Borrego WD for a potential system intertie that would allow the CSD to utilize the WD's available water storage capacity.

Determination 1.8 The majority of new infrastructure improvements will be financed by fees paid from associated development. Improvements to the Borrego WD's existing facilities (wells, pumps and pipelines) would come from the WD's water rate income.

Determination 1.9 The Borrego WD reports that no significant infrastructure deficiencies currently exist within their service areas. Any present deficiencies, such as older water mains, have been addressed through ongoing maintenance and upgrade, as necessary.

Determination 1.10 Some Borrego WD water main replacements are expected to be financed by developers, which are required to improve system capacities to meet the anticipated needs of their associated developments and to provide 1,500 gallon-per-minute (gpm) fire hydrant flows.

Determination 1.11 New wells will be installed by the Borrego WD as system demand increases and as the existing wells that are 40 years old, or older, fail.

Determination 1.12 Additional Borrego WD water storage will be purchased from connection fees and funds collected by developers of new tracts.

Determination 1.13 The Borrego WD Water Quality Report identifies agricultural irrigation run-off and septic tank effluent percolation as the most likely contamination threats to local drinking water quality.

Determination 2: GROWTH AND POPULATION

The efficient provision of public services can be associated with an agency's ability to effectively plan for its future service provision needs. Municipal service reviews can provide a method for LAFCO, affected agencies, and the public to examine both the existing and future need for public services, and to determine whether projections for future growth and population patterns are integrated with an agency's service planning functions.

Projected growth increases are typically utilized to determine expected service needs and to anticipate where increased services will be required, especially in areas where services are not currently being provided. As service demands influence both location and capacity of future public facilities, it is vital that appropriate population and development forecasts serve as the basis of an agency's planning process.

Determination 2.0 The Borrego WD and the Borrego Springs Park CSD both coordinate with the County of San Diego and SANDAG for local growth and population projections.

Determination 2.1 The County of San Diego's Desert Subregional Plan encourages additional residential growth in the Borrego Valley in order to increase the local tax base and provide additional funding for public facilities and services.

Determination 2.1 The Borrego Valley is primarily occupied by a small year-round population of approximately 3,000, with a seasonal peak population of approximately 5,000. This fluctuation in local population levels requires the districts to plan for accommodating the seasonal service demands.

Determination 2.2 While new development is required to pay for its needed infrastructure, local population growth in the Borrego Valley has been smaller than expected, which has limited the districts abilities to expand and upgrade their existing municipal facilities.

Determination 2.3 There are no pending water or sewer requests that would require municipal services to be extended to presently unserved areas of the Borrego Valley.

Determination 3: FINANCING CONSTRAINTS AND OPPORTUNITIES

Financing constraints and opportunities can have an impact on the efficient delivery of municipal services. In developing financial constraints and opportunities determinations, LAFCO reviews the present and expected public service needs in the study area against the resources available to fund the provision of those services. Financial constraints and opportunities determinations may enable LAFCO, local agencies, and the public to better assess whether agencies are capitalizing on potential financing opportunities.

Determination 3.0 While San Diego County has experienced a housing boom, the local population in the Borrego Valley has not expanded as was expected, which has slowed the ability to finance additional facilities and expansions.

Determination 3.1 A potential consolidation of the Borrego WD and Borrego Springs Park CSD could provide additional financing opportunities for the WD to improve the existing infrastructure to Borrego WD standards.

Determination 3.2 Consolidation between the Borrego WD and Borrego Springs Park CSD would likely require upgrading the CSD facilities and infrastructure. As was previously done with their other improvement districts, the Borrego WD would likely utilize bonded debt to acquire and upgrade the CSD facilities, which would be repaid from CSD/ID-5 area revenues.

Determination 3.3 The County of San Diego's Desert Subregional Plan encourages additional residential growth in the Borrego Valley in order to increase the local tax base and provide additional funding for public facilities and services.

Determination 4: COST AVOIDANCE OPPORTUNITIES

Identifying local agency cost avoidance opportunities supports LAFCO's role in encouraging efficiently provided public services. Municipal service reviews explore potential cost avoidance opportunities such as: eliminating duplicative services; reducing high administration to operation cost ratios; replacing outdated or deteriorating infrastructure and equipment; reducing inventories of underutilized equipment, buildings, or facilities; redrawing overlapping or inefficient service boundaries; replacing inefficient purchasing or budgeting practices; implementing economies of scale; and increasing profitable outsourcing.

Determination 4.0 A potential consolidation of the Borrego WD and Borrego Springs Park CSD would allow for cost avoidance by: eliminating duplicative municipal service provision; implementing economies of scale; and replacing or upgrading substandard infrastructure and facilities.

Determination 4.1 The Borrego Springs Park CSD currently utilizes the Borrego WD for administrative and operational services on an contractual basis. Consolidation of the CSD and WD would provide these services to the CSD area by right.

Determination 4.2 A consolidation of the Borrego WD and Borrego Springs Park CSD could avoid increased well extraction costs by helping to regulate and reduce the overdraft of the Borrego Valley aquifer and preventing the need to drill deeper wells to reach the available groundwater.

Determination 5: OPPORTUNITIES FOR RATE RESTRUCTURING

A municipal service review will review agency rates, which are charged for the provision of public services, to examine opportunities for rate restructuring without impairing the quality of service. Agency rates will be reviewed in relation to: rate setting methodologies; conditions that could impact future rates; and variances among rates, fees, taxes, charges, etc., within an agency and region. Service reviews may identify potential strategies for rate restructuring, which also supports the LAFCO mission of ensuring the efficient provision of public services.

Determination 5.0 The Borrego Springs Park CSD has recently adopted a new rate ordinance that increased its rate for water use in excess of the baseline amount. This process is intended to discourage excessive use contribute to groundwater conservation in the valley.

Determination 5.0 The potential consolidation of the Borrego WD and Borrego Springs Park CSD would allow for rate restructuring opportunities by utilizing economies of scale and by synchronizing the water and sewer rate process in the valley under one public agency.

Determination 5.1 The Borrego WD is investigating the feasibility of instituting an inverted Tier Rate structure encompassing four Tiers in three user types (Residential, Commercial and Irrigation). This program would be used to encourage the conservation of groundwater within the Borrego Valley by increasing its retail cost in proportion with its consumption.

Determination 6: OPPORTUNITIES FOR SHARED FACILITIES

Public service costs may be reduced and service efficiencies increased, if service providers develop strategies for sharing facility resources, such as communication centers, wastewater treatment facilities, and distribution lines. Sharing both facilities and excess system capacities can decrease duplicative efforts and lower costs, as well as to minimize unnecessary local resource consumption.

The review of facilities in the study area is intended to determine if existing facilities are currently being utilized to capacity and whether efficiencies can be achieved by accommodating the facility needs of adjacent agencies. Potential options for planning future shared facilities and services are also considered.

Determination 6.0 The potential consolidation of the Borrego WD and Borrego Springs Park CSD would allow for shared facilities opportunities by connecting the CSD's inadequate water storage infrastructure to the WD's greater water storage facilities.

Determination 6.1 The potential consolidation of the Borrego WD and Borrego Springs Park CSD would allow for shared facilities opportunities by connecting the WD's recently failed well to the CSD's Well No. 5.

Determination 6.2 A potential consolidation and interconnection of infrastructure would enhance the ability to provide municipal services to the Borrego Springs Park CSD service area in emergency situations.

Determination 7: GOVERNMENT STRUCTURE OPTIONS

Advantages & Disadvantages of Consolidation or Reorganization of Service Providers

The municipal service review process can be used to explore existing and future public service conditions and to evaluate organizational options for accommodating expected growth, preventing urban sprawl, and ensuring that critical services are efficiently and cost-effectively provided. While the service review does not require LAFCO to initiate changes of organization based on service review determinations, LAFCO, local agencies, and the public may subsequently use service reviews to pursue changes to services, local jurisdictions, or spheres of influence.

LAFCO may review potential efficiencies that could be obtained by: reorganizing existing public agencies; amending or updating adopted spheres-of-influence; annexations or detachments from cities or special districts; formation of new special districts; special district dissolutions; mergers of special districts with cities; establishment of subsidiary districts; or any additional reorganization options found in Government Code § 56000 et. seq.

Determination 7.0 The Borrego Springs Park CSD service area is 100% surrounded by the Borrego WD service area and is within the Borrego WD sphere of influence. The CSD service area represents the largest island of developed territory in the Borrego Valley that is not within the Borrego WD.

Determination 7.1 A potential consolidation between the Borrego WD and Borrego Springs Park CSD could provide efficiencies in water and sewer service provision to the CSD service area. The Borrego WD has indicated its willingness to create Improvement District 5, which would encompass the existing service area of the CSD.

Determination 7.2 The advantages of consolidation or reorganization of the Borrego WD and Borrego Springs Park CSD would be: to promote public ownership of the CSD water and sewer facilities; to consolidate groundwater management in the Borrego Valley; to ensure a reliable water source for the CSD service area; to allow the registered voters in the CSD area to participate in the WD Board elections; and to integrate the CSD and WD infrastructure for storage and emergency purposes.

Determination 7.3 Additional discussions between the Boards of the Borrego Springs Park CSD and the Borrego WD, and the landowners within the CSD, should be encouraged in order to provide a consensus on the terms and conditions for a consolidation between the two districts.

Determination 8: EVALUATION OF MANAGEMENT EFFICIENCIES

Management efficiency refers to the organizational effectiveness of service delivery. Efficiently managed agencies typically implement plans to improve service delivery, reduce waste, eliminate duplications of effort, contain costs, maintain qualified employees, build and maintain adequate contingency reserves, and encourage and maintain open dialogues with the public and other public and private agencies.

The municipal service review evaluates management efficiencies by analyzing agency functions, operations, and practices, as well as the agency's ability to meet current and future service demands. Services will be evaluated in relation to available resources and consideration of service provision constraints.

Determination 8.0 The Borrego WD utilizes an operations manager and a general manager. The operational manager is responsible for the day-to-day operations of the WD. The general manager is responsible for the administrative management and implementation of Board policies.

Determination 8.1 The Borrego WD has adopted a Groundwater Management Program that intends to preserve and protect the vital Borrego Valley groundwater resources.

Determination 8.2 The Borrego Springs Park CSD has recently hired a General Manager and is currently being provided with administrative services by the Borrego WD on a contractual basis.

Determination 8.3 The Borrego WD and the Borrego Springs Park CSD have engaged in dialogue and negotiations regarding a potential consolidation between the districts.

Determination 9: LOCAL ACCOUNTABILITY/GOVERNANCE

In making a determination of local accountability and governance, LAFCO will consider the degree to which the agency fosters local accountability. *Local accountability and governance* refers to public agency decision making and operational and management processes that: (1) include an accessible and accountable elected or appointed decision making body and agency staff; (2) encourage and value public participation; (3) disclose budgets, programs, and plans; (4) solicit public input when considering rate changes and work and infrastructure plans; and (5) evaluate outcomes of plans, programs, and operations, and disclose results to the public.

Determination 9.0 The Borrego WD has an internet website where local customers and residents can obtain district information, Board of Directors meeting scheduling, and staff contact information.

Determination 9.1 The Borrego WD posts its Board agendas and minutes on its website in addition to posting its Groundwater Management Program and annual water quality reports. Additional information, such as annual budgets, infrastructure reports, and archives of Board agendas/minutes should be considered for website inclusion.

Determination 9.2 The Borrego Springs Park CSD does not provide a website or other means of public access to its general district information, scheduled board meetings, or contact information.

Determination 9.3 The Borrego Springs Park CSD should implement an internet website where Board meeting schedules, agendas, meeting minutes, and annual water quality reports can be accessed by the residents within the CSD as well as by the general public. This effort will encourage public participation and provide transparency in CSD operations and administration.

SPHERE OF INFLUENCE

The Cortese-Knox-Hertzberg Act specifies that LAFCO review and update, as necessary, the spheres of influence for each local public agency within LAFCO's jurisdiction. In accordance with State Law, each LAFCO is required to develop and adopt spheres of influence for each city and special district in the County. Defined as a plan for the probable physical boundaries and service area of local government agency, a sphere is a planning tool that is designed to: provide guidance in reviewing change of organization and reorganization proposals; promote the efficient provision of municipal services; and prevent unnecessary duplication of service responsibilities.

Spheres of influence are intended to identify areas where a determination can be made by LAFCO that the subject agency is most likely to provide its authorized municipal service(s) in the future. The Cortese-Knox-Hertzberg Act directs that spheres be reviewed and updated no less that every five years, as necessary.

Adopted spheres may be amended with Commission approval of a minor sphere amendment; however, requests for substantial changes to an agency's sphere may require a comprehensive sphere review and/or update if determined by the Executive Officer.

In amending or updating a sphere, the Commission is required to consider specific factors and make written determinations in the following four categories:

- (1) Present and planned land uses in the area, including agricultural and open space lands;
- (2) Present and probable need for public facilities and services in the area;
- (3) Present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide; and
- (4) Existence of any social and economic communities of interest in the area.

Borrego Valley Study Area Determinations

The present land uses in the Borrego Valley study area are a mixture of agriculture, residential, and environmentally sensitive lands or parklands. The planned land uses in the Borrego Valley will be revised via the County of San Diego General Plan update known as GP2020. GP2020 has been under development since the late '90s and represents the first comprehensive update of the County's general plan since 1979.

The County of San Diego has chosen to de-emphasize its agricultural priority in the Borrego Valley in favor of lower-groundwater consuming agricultural or residential uses. The probable need for public facilities and services is dependant on the zoning and land use designations adopted by the County of San Diego, as well as the economic factors that sustain additional growth and development. No social or economic communities of interest have been determined by the Commission to exist in the Borrego Valley study area.

BORREGO WD

Water

San Diego LAFCO adopted a coterminous sphere of influence for the Borrego WD in January 1986. The current Borrego WD sphere is greater than the district's service area, and covers an approximate total of 35,482 acres, or over 55 square miles. The Borrego WD sphere includes approximately 4,847 acres that are located outside of its current service area.

Sewer Service Area

The Borrego WD's sewer service area sphere of influence was adopted by LAFCO in 1986 as a service-specific sphere. This sphere designation limits the district's provision of sewer service to a specific area within the district's service boundary. The current Borrego WD sewer service area sphere totals approximately 12,214 acres, with 7,171 acres located outside of the current sewer service area.

Sphere Amendments

Water

Since the Borrego WD sphere adoption in 1986, there has been two sphere amendments approved by LAFCO that have added approximately 6,460 total acres to the WD's sphere.

The first Borrego WD sphere amendment occurred in 1987 in conjunction with the County of San Diego's update of its Desert Subregional Plan, which revised the County Town boundary for the unincorporated community of Borrego Springs. The 1987 sphere amendment updated the Borrego WD sphere to be coterminous with the revised County Town boundary, which added approximately 4,160 acres (6.5 square miles) to the sphere.

The second Borrego WD sphere amendment was in 1996, when the district acquired the service area of the Borrego Springs Water Company. The 1996 sphere amendment

added an approximate total of 2,300 acres (3.6 square miles) to both the sphere and the district's service boundary.

Sewer Service Area

There has been one amendment to the Borrego WD's sewer sphere in 1994, which added approximately 20 acres to the sewer sphere. This sewer sphere amendment was intended to facilitate the provision of sewer to the proposed 140-acre "Mesquite Trails Ranch RV Park" development.

Recommended Spheres

The present need for public facilities and services are being met by the Borrego WD in its service area. The probable need for services in the Borrego Valley will be balanced against the availability and cost of groundwater for future use. The existing capacities of the Borrego WD's public facilities are sufficient to provide its presently-needed water and sewer services. New development is required to finance its needed infrastructure and capacity. In general, public services are being provided in an adequate manner to the Borrego WD service area.

Water

The Borrego WD, as the designated groundwater management agency for the Borrego Valley, is anticipated to eventually extend its service boundary to include the remaining privately-owned parcels in the valley that are not included in the surrounding Anza-Borrego Desert State Park. This eventual expansion would allow the Borrego WD to better control the groundwater extraction in the valley and implement its groundwater preservation programs and policies. The Borrego WD has requested that LAFCO examine the potential of this sphere expansion during the current process of reviewing and updating its sphere.

LAFCO staff reviewed this request and determined that an expansion of the Borrego WD sphere to include all of the remaining parcels in the Borrego Valley would be premature as the County of San Diego is still in the process of comprehensively updating its 1979 General Plan. In addition, the majority of the Borrego Valley area that is not located within the Borrego WD sphere has no active land uses that would threaten the implementation of the district's groundwater management program.

Sewer

The Borrego WD has requested that their sewer service sphere be expanded to include all of the developed lots in Borrego Springs in order to facilitate their transition from subsurface septic systems, which have been recognized as a threat to local groundwater quality, to public sewer service. While sewer treatment capacity exists for additional development, the County of San Diego is responsible to ensure that all new development will avoid the use of underground septic systems that could degrade the local groundwater quality. This health and safety emphasis on groundwater management and preservation could also provide an overriding concern when requests for Borrego WD sewer service sphere expansion are submitted for LAFCO consideration on a case-by-case basis.

Requests for inclusion in the sewer service area sphere are typically associated with new development that has undergone environmental review and has been approved by the County of San Diego as the land use authority. As the District's sewer sphere expansion request does not take into consideration the need for environmental review or coordination with local land uses, the Borrego WD existing sewer service area sphere of influence is recommended to be reaffirmed.

Since the sewer service area and sphere were established in the 1980's, the evolution of Geographic Information System (GIS) software has allowed for parcel-level detailed jurisdictional boundary mapping. As many jurisdictional boundaries were established prior to this software availability, a number of mapping anomalies have appeared where established service areas and sphere boundaries do not conform to existing parcel lines. Therefore, it is recommended that the Borrego WD sewer service sphere should undergo a technical adjustment to realign it with existing parcel lines.

Potential Sphere Expansion / Special Study Areas

There are three small areas outside of the Borrego WD sphere with active land uses: the Borrego Air Ranch; the Tubb Canyon Road area, and a single parcel (APN 140-010-08) with active agricultural use in the northern agricultural area of the valley.

The agricultural parcel represents an island of territory surrounded by the Borrego WD and the Anza-Borrego Desert State Park that should be considered for inclusion in the Borrego WD sphere. All of the adjacent agricultural-use parcels are currently within the Borrego WD service area and sphere. Inclusion of APN 140-010-08 in the Borrego WD sphere would designate that the WD will potentially provide service to the entirety of the current agricultural-use area in the northern portion of the valley.

The Borrego Air Ranch and the Tubb Canyon Road area have limited amount of active residential and commercial uses and are adjacent to the Borrego WD service area and sphere. While these areas have existing uses that require groundwater extraction, it may be premature to include them in the Borrego WD sphere until the completion of the County's GP2020 general plan update. For this reason, it is recommended that the two areas be given a Special Study Area designation that would allow subsequent LAFCO sphere reviews of the Borrego Valley to re-examine the potential expansion of the Borrego WD sphere to include the subject areas.

BORREGO SPRINGS PARK CSD

The Borrego Springs Park CSD's sphere of influence was adopted by LAFCO in 1987 as coterminous with its boundary; no amendments to the CSD's sphere have been proposed since its adoption. The Borrego Springs Park CSD service area is 100% surrounded by the Borrego WD and is located within the Borrego WD's sphere of influence.

Recommended Sphere

The present need for public facilities and services has not been met by the Borrego Springs Park CSD because of its water storage deficit, well failure, and the associated regulatory citations from the County Department of Health in regards to water quality,

contamination notification, and previous difficulties in obtaining ownership of its water and sewer facilities.

The probable need for public facilities and services in the Borrego Springs Park CSD territory is greatly dependant on the zoning and land use designations adopted by the County of San Diego as well as the economic factors that sustain additional growth and development. The County-approved SPA 92-100 intends for an additional 800 dwelling units to be developed in the CSD territory.

The existing capacities of the Borrego Springs Park CSD's public facilities are sufficient to provided needed water and sewer services, but are not sufficient in terms of the level of water storage required by the County of San Diego. Public services are not being provided in an adequate manner to the CSD service area due to the failure of its source well and the ongoing regulatory violation citations.

As the Borrego Springs Park CSD is 100% surrounded by the Borrego WD, and is located within the WD's sphere of influence, it is likely that the CSD will eventually consolidate with the WD. A potential consolidation would rectify the CSD's regulatory violations, provide adequate water storage to meet the County requirements, and fulfill LAFCO's role in encouraging the efficient provision of municipal services and streamlining of local government.

To permit a potential consolidation between the Borrego Springs Park CSD and the Borrego WD, it is recommended that the Commission adopt a transitional sphere designation for the CSD known as a 'zero sphere,' which indicates that a successor agency is expected to assume its service responsibilities in the future.

Comments Received on Draft Report

The Draft Borrego Valley MSR and SOI Update was distributed to affected agencies and the general public for a 30-day review and comment period on July 12, 2007. Comments were received from DPLU, BWD, and BSPCSD. Technical corrections and updated financial information were integrated into the final report.

The County DPLU comments support a potential consolidation of BWD and BSPCSD and state that a consolidation would provide the Borrego WD with an increased ability to implement groundwater conservation measures and improve its capacity to manage the groundwater resources of the Borrego Valley. DPLU also concurs with Borrego WD's request to expand its SOI to include the remainder of privately-owned parcels in the Borrego Valley that are not within the Anza-Borrego DSP in order to facilitate the implementation of the district's groundwater preservation policy.

The Borrego WD submitted a number of technical data corrections that were integrated into the final LAFCO staff report. The Borrego Springs Park CSD submitted an update regarding: its new General Manager (who is also a certified engineer), District Counsel, and Board Members; the CSD administrative functions have been assumed by the BWD (under contract); the CSD obtained ownership of its water and wastewater treatment facilities on May 30, 2007; the Borrego WD and Borrego Springs Park CSD are negotiating on an inter-connect agreement that would connect the CSD Well No. 5 with the WD's one million gallon water storage tank; the Borrego Springs Park CSD

board passed a rate increase on July 15, 2007, which goes into effect in October 2007, and includes additional charges for water use in excess of the base amount

ENVIRONMENTAL REVIEW

The Borrego Valley Area MSR is exempt from the CEQA environmental impact evaluation process as it involves data collection, research, and evaluation activities that will not result in a disturbance to environmental resources (CEQA Guidelines, Section 15306). The Borrego Valley Area SOI Update is also exempt from CEQA because it can be concluded with certainty that there will be no adverse impact on the environment (CEQA Guidelines, Section 15061b (3)).

CONCLUSION AND RECOMMENDATIONS

The Borrego Valley is a unique area in San Diego County not only for its isolated location and desert conditions, but also for its identity as a resort destination, its history of agricultural production, and its dependence on its underlying aquifer for all of its present and future water needs. This combination of local characteristics makes the conservation and preservation of the Borrego Valley's groundwater resources the top priority for the long-term sustainability of the local community.

The County of San Diego has recognized this priority by emphasizing the need for additional local growth in order to create a viable economic base that will support the area's peak population service and facility needs. The County's Desert Subregional Plan encourages the conversion of intensive groundwater-consuming agricultural uses to lower groundwater-consuming agricultural or residential uses. The County's groundwater mitigation policies also support the conservation of local groundwater by requiring a one-to-one ratio of purchased groundwater rights for all new groundwater consumption that requires County discretionary approvals.

The obstacles in encouraging local growth while prioritizing local groundwater conservation are augmented by the inherent groundwater rights retained by landowners. Since the 1980's, the Borrego WD has been designated by the State of California as the Borrego Valley's groundwater management agency; however, the district's ability to implement its groundwater management plans and policies is hindered by local groundwater consumption from privately-owned wells both inside and outside of the district's boundaries.

The Borrego Springs Park CSD is an example of a local groundwater consumer that utilizes a private well to provide water service to an area that is 100% surrounded by Borrego WD territory, but is not subject to Borrego WD groundwater management oversight. The CSD service area represents the largest remaining island of territory in the developed portion of the Borrego Valley that is not located within the Borrego WD.

San Diego LAFCO procedural guidelines for determining the sphere of influence of a public agency specify that territory currently receiving services from the subject agency, or territory that is projected to need services within the next 10-15 years, may be considered for inclusion within the agency's sphere. A special district that provides services which ultimately will be provided by another agency will be assigned a transitional sphere of influence designation called a zero sphere.

LAFCO adoption of a transitional sphere designation for the Borrego Springs Park CSD would indicate that the CSD is expected to eventually be reorganized with the Borrego WD as the most likely successor agency. Consolidation of the CSD with the WD is consistent with this designation.

The Borrego WD sphere is recommended to be reaffirmed with one exception; APN 140-010-08 should be included in order to consolidate the valley's agricultural area within the Borrego WD sphere. Two additional areas, the Borrego Air Ranch and Tubb Canyon Road, should be designated as Special Study Areas for future review on inclusion in the Borrego WD sphere. The Borrego WD sewer service area sphere is also recommended for reaffirmation. Future requests for sewer service area expansion will continue to be considered by the Commission on a case-by-case basis. Therefore it is

RECOMMENDED: That your Commission

1. Find in accordance with the Executive Officer's determination, that pursuant to §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 data collection and research that will not result in a disturbance to an environmental resource;
2. Find in accordance with the Executive Officer's determinations that pursuant to §15061 (b) (3) of the State CEQA guidelines, the sphere affirmations and amendments are 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;
3. For the reasons set forth in the Borrego Valley Municipal Service Review, adopt the Municipal Service Review & Sphere of Influence Update and the associated Determinations;
4. Amend the sphere of influence for the Borrego Water District to include APN 140-010-08, as shown on Map 4, and adopt the Statement of Determinations as proposed in Exhibit 1;
5. Affirm the existing sphere of influence for the Borrego Water District Latent Sewer Service Area, as shown on Map 2B, and adopt the Statement of Determinations as proposed in Exhibit 1;
6. Designate the Borrego Air Ranch and Tubb Canyon Road areas, as shown on Map 4, as Special Study Areas for future consideration of inclusion in the Borrego WD sphere;
7. Authorize the Executive Officer to perform a technical adjustment to the Borrego Water District Latent Sewer Service Area Sphere of Influence, to align the adopted sphere with existing parcel lines;

8. Designate the sphere of influence for the Borrego Springs Park Community Services District as a Transitional (Zero) Sphere, in anticipation of a potential future consolidation with the Borrego Water District, and adopt the Statement of Determinations as proposed in Exhibit 2.

Respectfully submitted,

MICHAEL D. OTT
Executive Officer

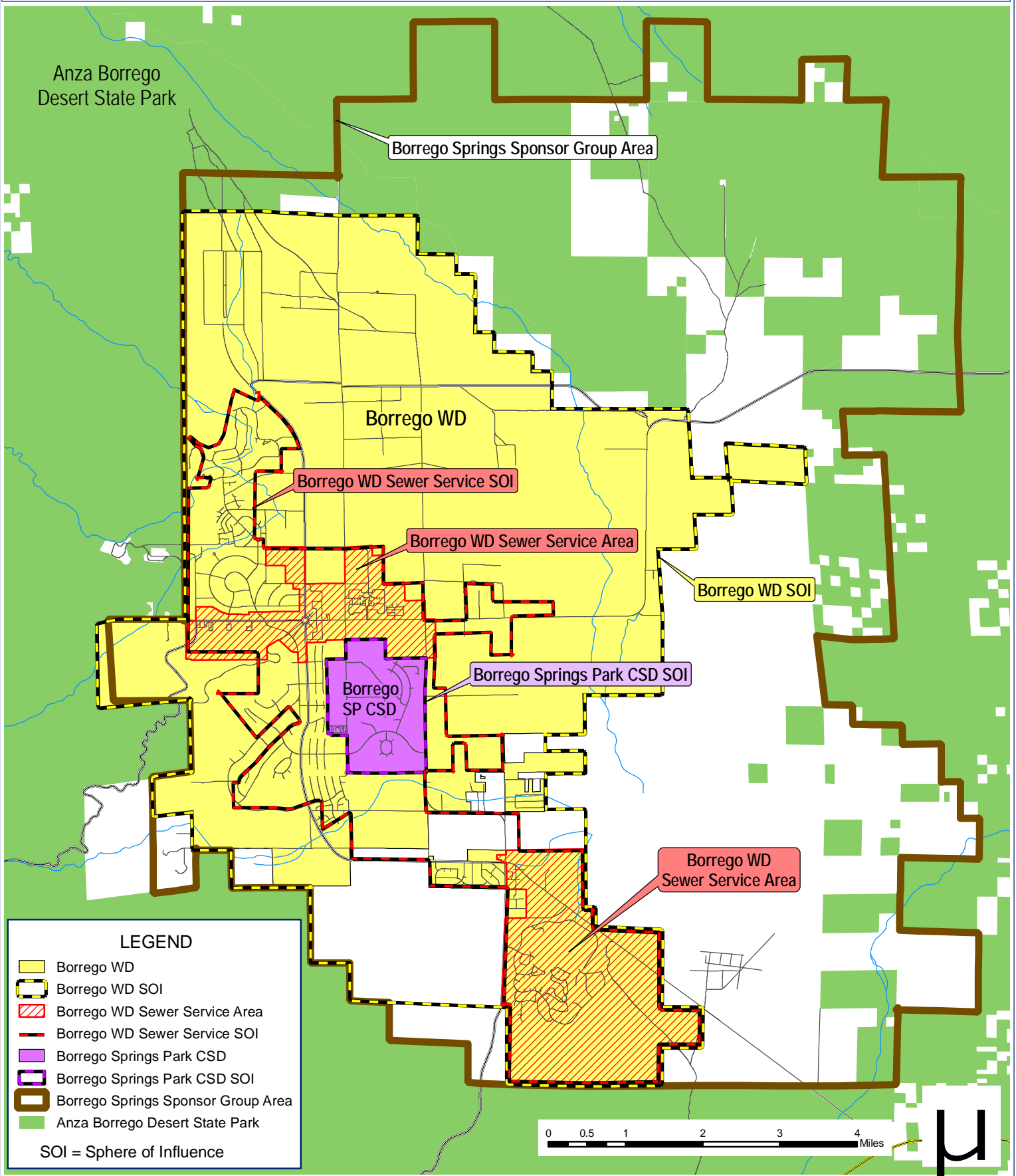
ROBERT B. BARRY
Local Governmental Analyst

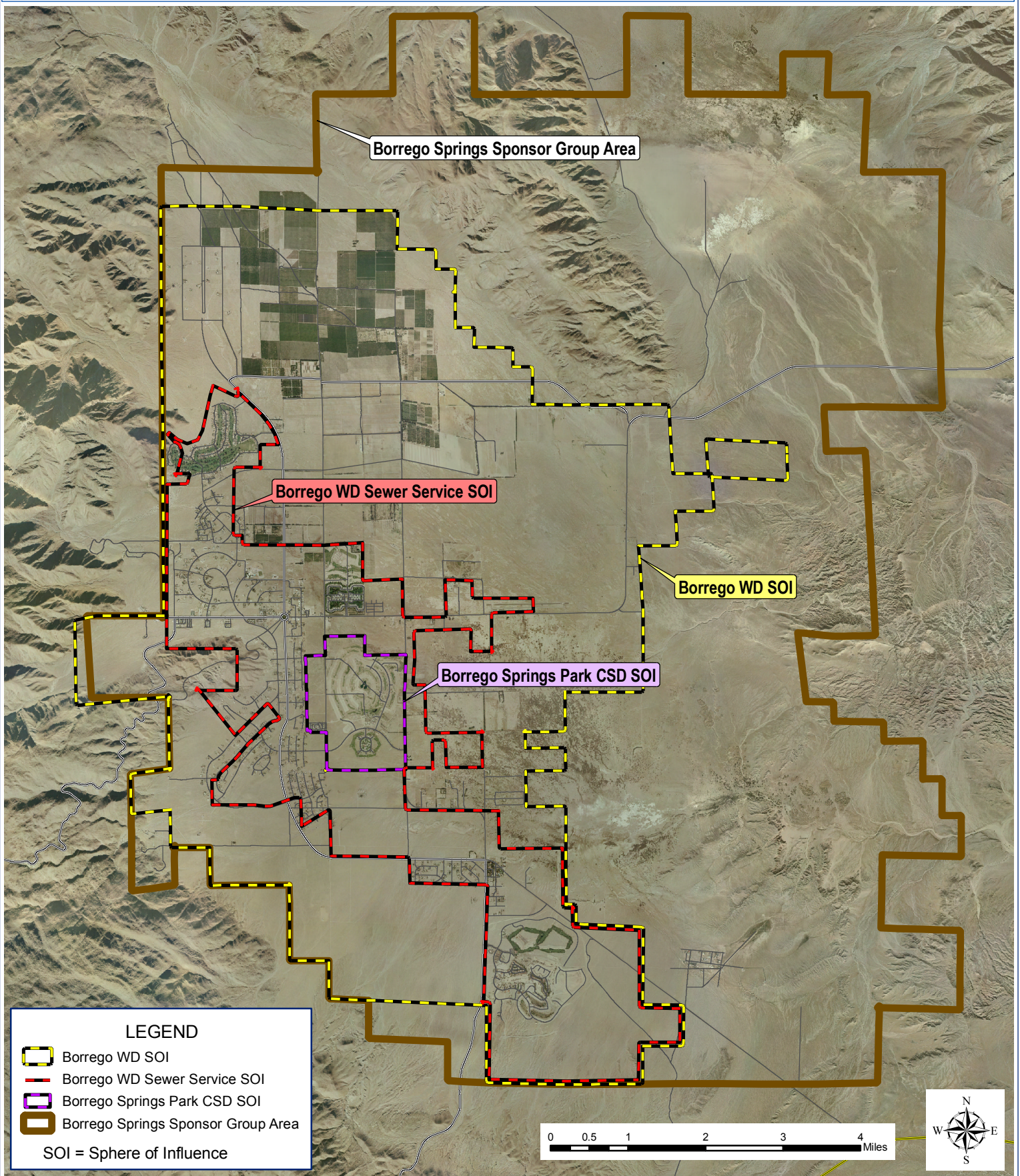
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Attachments:





Map 1A: Borrego Valley MSR Study Area
Map 1B: Borrego Valley MSR Study Area
Map 2A: Borrego WD Service Area & Sphere
Map 2B: Borrego WD Sewer Service Area and Sphere
Map 3: Borrego Springs Park CSD & Sphere
Map 4: Proposed Borrego Valley Spheres & Study Areas

Exhibits 1 - Statement of Determinations: Borrego WD
Exhibits 2 - Statement of Determinations: Borrego Springs Park CSD

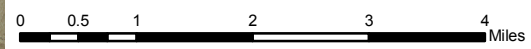




LEGEND

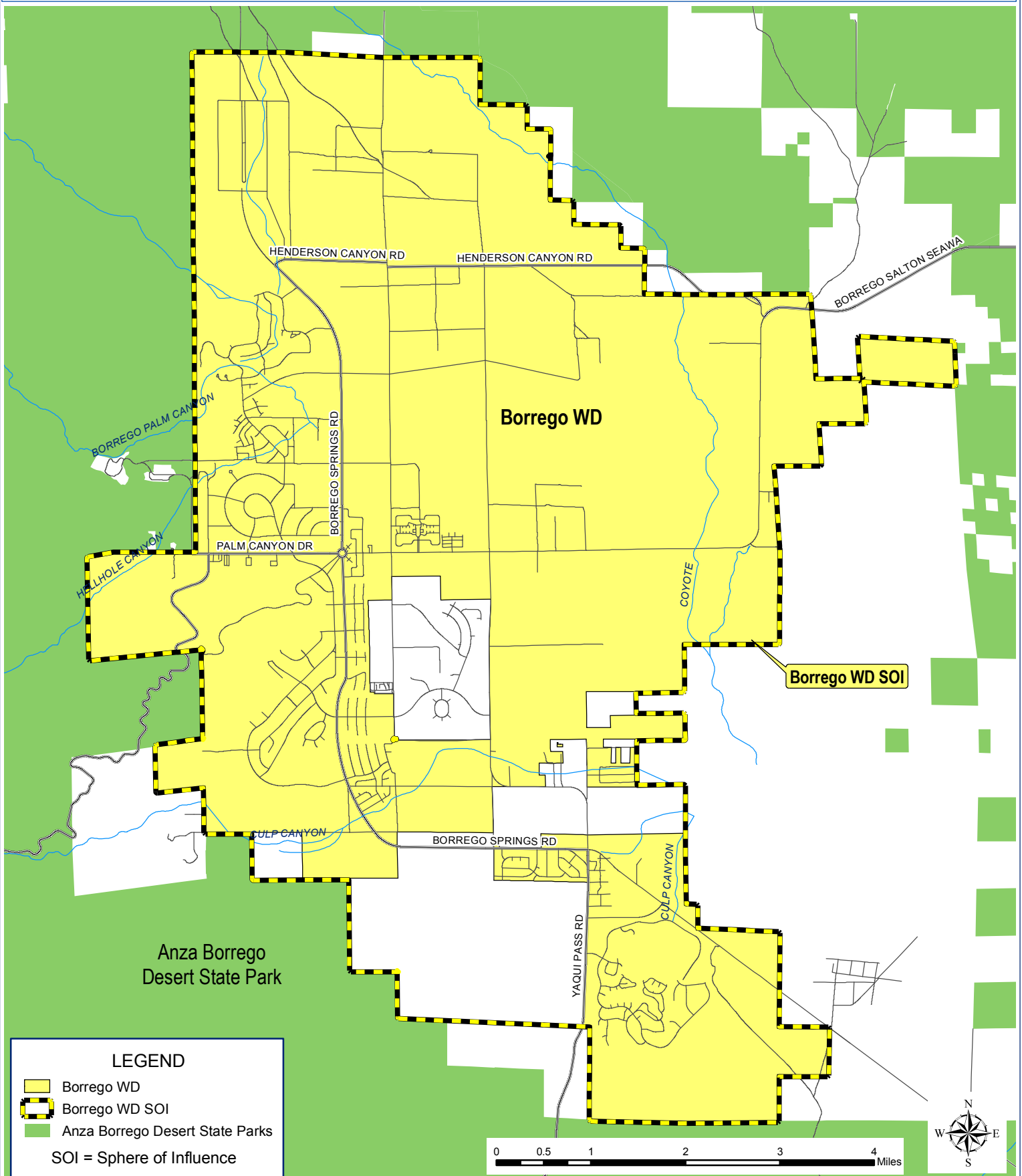
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-  Borrego WD Sewer Service SOI
-  Borrego Springs Park CSD SOI
-  Borrego Springs Sponsor Group Area

SOI = Sphere of Influence



Borrego WD and SOI (existing)

MAP 2A

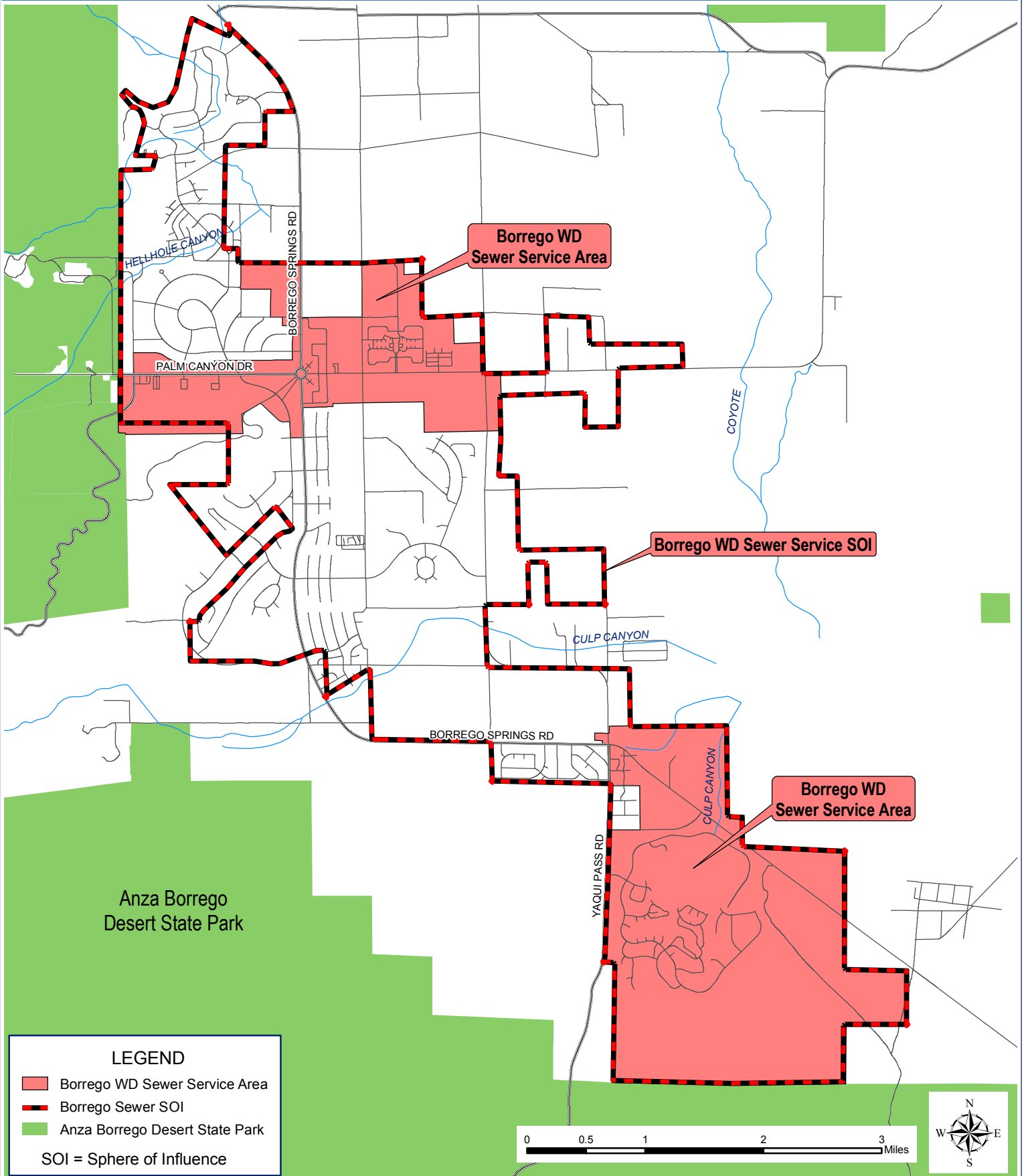


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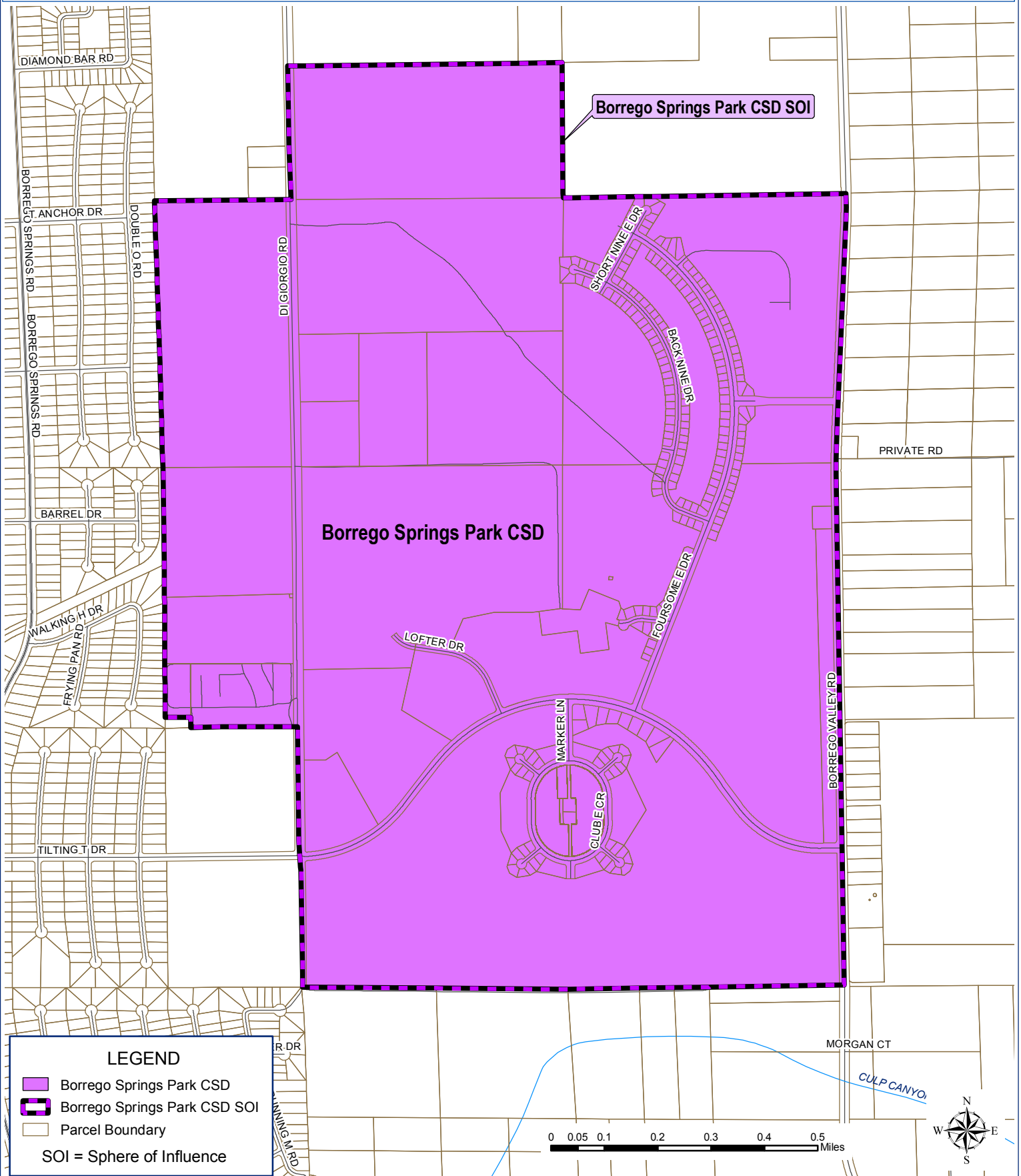
- Borrego WD
- Borrego WD SOI
- Anza Borrego Desert State Parks

SOI = Sphere of Influence

Borrego WD Sewer Service Area and SOI (existing) MAP 2B



Borrego Springs Park CSD and SOI (existing) MAP 3

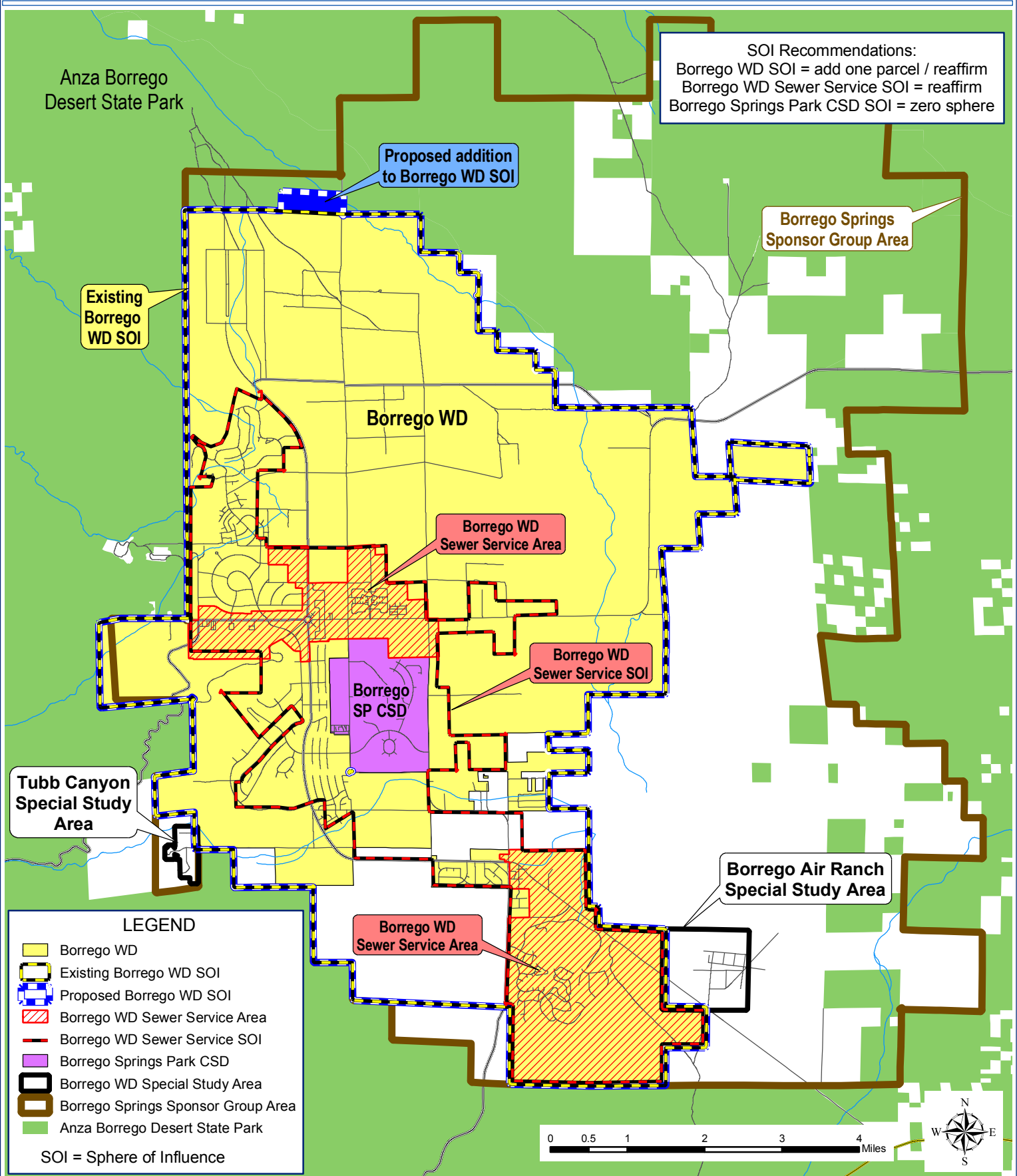


LEGEND

- Borrego Springs Park CSD
- Borrego Springs Park CSD SOI
- Parcel Boundary

SOI = Sphere of Influence

Borrego Valley Sphere of Influence (proposed update) MAP 4



RECOMMENDED STATEMENT OF DETERMINATIONS
FOR AFFIRMATION AND AMENDMENT OF THE
SPHERES OF INFLUENCE OF THE
BORREGO WATER DISTRICT

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 Borrego Water District (WD).

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

The present land uses in the Borrego WD service area are a mixture of agriculture, residential, and environmentally sensitive lands or parklands. The planned land uses in the Borrego Valley will be revised via the County of San Diego General Plan update known as GP2020. GP2020 has been under development since the late '90s and represents the first comprehensive update of the County's general plan since 1979. It is recommended that one island area (120 acres) surrounded by the Borrego WD and Anza Borrego Desert State Park be included in the sphere of the water district. In addition, it is recommended that the Borrego Air Ranch and the Tubb Canyon Road territory be designated special study areas. The special study areas have a limited amount of active residential/commercial development. No changes to the Borrego WD's sewer sphere of influence are recommended.

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

The present need for public facilities and services are being met by the Borrego WD in its service area. The probable need for public facilities and services is dependant on the zoning and land use designations adopted by the County of San Diego as well as the economic factors that sustain additional growth and development.

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

Present capacities of the Borrego WD's public facilities are sufficient to provided needed water and sewer services. Public services are being provided in an adequate manner to the Borrego WD service area.

- (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.

No social or economic communities of interest have been determined by the Commission to exist in the Borrego WD service area.

RECOMMENDED STATEMENT OF DETERMINATIONS
AMENDING THE SPHERE OF INFLUENCE FOR THE
BORREGO SPRINGS PARK COMMUNITY SERVICES DISTRICT
TO A ZERO SPHERE

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 Borrego Springs Park Community Services District (CSD).

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

The present land uses in the Borrego Springs Park CSD service area are a mixture of residential and park/recreational uses. The planned land uses in the Borrego Valley will be revised via the County of San Diego General Plan update known as GP2020. GP2020 has been under development since the late '90s and represents the first comprehensive update of the County's general plan since 1979.

The present and planned land uses in the Borrego Springs Park CSD territory are residential and recreational. The County of San Diego has jurisdiction over land use and planning matters in unincorporated areas. All land use decisions pertaining to the sphere territory would be guided by the County's General Plan. There are no agriculture or open space uses within the subject territory. Accordingly, amending the sphere of influence to a transitional (Zero) sphere would have no impact on agricultural and open space land uses.

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

The Borrego Springs Park CSD provides water service from one of its two local wells and wastewater service via an on-site sewage treatment plant. The CSD service area includes approximately 1,209 acres and an estimated 334 total residents. The present need for public facilities and services are not being met by the Borrego Springs Park CSD because of its previous difficulties in obtaining ownership of its facilities and the associated regulatory issues with the County Department of Health.

The probable need for public facilities and services is dependant on the zoning and land use designations adopted by the County of San Diego as well as the economic factors that sustain additional growth and development. The CSD has an existing water storage deficit and is currently in discussions with the Borrego WD to connect to its adjacent water storage facilities. As local population growth has not kept pace with previous projections, the CSD is not expected to require additional public facilities and services in the near future.

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

The Borrego Springs Park CSD presently provides water, sewer, and trash collection services to its service area and its capacities are adequate for its current provision needs. Public services are not being provided in an adequate manner to the CSD service area. The CSD has been cited by the County Department of Environmental Health (DEH) for water quality and facilities ownership violations. The CSD has recently obtained ownership of its water and sewer facilities and is working with DEH to resolve the citations. The CSD currently has 20,000 gallons of available water storage. The County of San Diego has required the CSD to have 100,000 gallons of available water storage for the approved developments in the CSD territory. The CSD is currently in discussions with the Borrego WD to connect to its adjacent water storage facilities in order to address its storage deficiency. Accordingly, it is recommended that a transitional (Zero) sphere of influence be designated for the Borrego Springs Park CSD.

- (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.

No social or economic communities of interest have been determined by the Commission to exist in the Borrego Springs Park CSD service area.

Exhibit 2