

SOUTHERN SAN DIEGO COUNTY  
WATER AND SEWER SERVICE  
MUNICIPAL SERVICE REVIEW

---

Adopted: FEBRUARY 2, 2004

SAN DIEGO LOCAL AGENCY FORMATION COMMISSION  
1600 PACIFIC HIGHWAY • ROOM 452  
SAN DIEGO, CA 92101  
619 531-5400 • [www.sdlafco.org](http://www.sdlafco.org)



# SOUTHERN SAN DIEGO COUNTY WATER AND SEWER SERVICE MUNICIPAL SERVICE REVIEW

---

## REPORT OF THE SAN DIEGO LOCAL AGENCY FORMATION COMMISSION

Patty Davis, Chairwoman

Bud Pocklington, Vice-Chairman

Donna Frye

Dianne Jacob

Jill D. Greer

Bill Horn

Andrew L. Vanderlaan

Ronald W. Wootton

Alternate Members:

Greg Cox

Harry Mathis

Andrew J. Menshek

Betty Rexford

Michael D. Ott, Executive Officer

Shirley Anderson, Chief, Policy Research

# TABLE OF CONTENTS

---

EXECUTIVE SUMMARY.....	vii
STAFF RECOMMENDATIONS.....	xi
THE MUNICIPAL SERVICE REVIEW .....	xiii
MUNICIPAL SERVICE REVIEW DETERMINATIONS.....	xiv
CHAPTER ONE: INFRASTRUCTURE, FACILITIES, AND SERVICES	
1.0 PLANNING FOR FUTURE SERVICES .....	1
1.1 PAYING FOR INFRASTRUCTURE .....	3
1.2 INFRASTRUCTURE DEFICIENCIES .....	4
1.3 USE OF EXCESS CAPACITY .....	5
1.4 PLANNING AND POPULATION PROJECTIONS.....	6
1.5 INFILL POLICY .....	9
1.6 EQUITABLE SERVICE PROVISION.....	10
1.7 EMERGENCY PLANNING .....	12
1.8 APPROPRIATE BOUNDARIES .....	14
1.9 EXTENDING SERVICES .....	16
1.10 CONSOLIDATING SERVICES.....	18
CHAPTER TWO: FISCAL ISSUES	
2.0 REVENUE SOURCES.....	21
2.1 RATES AND FEES .....	25
2.2 POLICY FOR RESERVES.....	30
2.3 LEGAL COSTS.....	36
CHAPTER THREE: ADMINISTRATION, MANAGEMENT, AND OPERATIONS	
3.0 ORGANIZATIONAL STRUCTURE .....	39
3.1 MANAGING HUMAN CAPITAL .....	42
3.2 PUBLIC INPUT .....	45

# TABLE OF CONTENTS

---

## CHAPTER FOUR: GOVERNANCE

4.0 AUTHORITY FOR GOVERNANCE AND SCOPE OF LOCAL AGENCY POWERS .....	49
4.1 PRINCIPLES OF GOVERNANCE.....	57
4.2 REORGANIZATION.....	61

## CHAPTER FIVE: MSR DETERMINATIONS

DETERMINATION 1: INFRASTRUCTURE NEEDS OR DEFICIENCIES.....	65
DETERMINATION 2: GROWTH AND POPULATION PROJECTIONS .....	68
DETERMINATION 3: FINANCING CONSTRAINTS AND OPPORTUNITIES .....	69
DETERMINATION 4: COST AVOIDANCE OPPORTUNITIES.....	72
DETERMINATION 5: OPPORTUNITIES FOR RATE RESTRUCTURING.....	73
DETERMINATION 6: OPPORTUNITIES FOR RATE RESTRUCTURING .....	75
DETERMINATION 7: GOVERNMENT STRUCTURE OPTIONS, INCLUDING ADVANTAGES AND DISADVANTAGES OF CONSOLIDATION OR REORGANIZATION OF SERVICE PROVIDERS.....	77
DETERMINATION 8: EVALUATION OF MANAGEMENT EFFICIENCIES.....	81
DETERMINATION 9: LOCAL ACCOUNTABILITY AND GOVERNANCE .....	86

## APPENDIX:

SOUTHERN SAN DIEGO COUNTY WATER AND SEWER SERVICE MSR DATA SUMMARY .....	A
SAN DIEGO LAFCO MUNICIPAL SERVICE REVIEW GUIDELINES.....	B
SAN DIEGO LAFCO LEGISLATIVE POLICY L-106.....	C
SAN DIEGO LAFCO REQUEST FOR INFORMATION .....	D
SAN DIEGO COUNTY WATER AUTHORITY 2001 RATE SURVEY .....	E
CONSUMER WATER RATES: ESTIMATE OF AVERAGE MONTHLY COST.....	F
REGIONAL MAPS:	
MAP 1: WATER SERVICES .....	G
MAP 2: SEWER SERVICES .....	H

# EXECUTIVE SUMMARY

---

## PURPOSE OF THE SOUTHERN SAN DIEGO COUNTY WATER AND SEWER MSR

The Southern San Diego County Water and Sewer Service Municipal Service Review (MSR) represents a comprehensive evaluation of sub-regional water and sewer services. Within the MSR region, seven local agencies are principally responsible for providing water and sewer services to just under one million residents. SANDAG forecasts indicate that within the next 10 to 15 years, 50,000 acres of vacant land within the region may be converted to uses that will require additional water and sewer services; unquestionably, the region must be positioned to respond to the demand. The purpose of this MSR is to evaluate the status of the region's current water and sewer service systems and to assess the region's potential to efficiently meet future demands.

### ▪ Organization of water and sewer service networks

Water and sewer services are provided to the MSR region through a network of seven agencies (Appendix: Maps F, G). The Helix Water District (WD), Otay Water District (WD), Padre Dam Municipal Water

---

#### SOUTHERN SAN DIEGO COUNTY WATER AND SEWER MSR SERVICE PROVIDERS

---

	Water	Sewer
City of Chula Vista (sewer only)		✓
Helix Water District	✓	
Lemon Grove Sanitation District		✓
Otay Water District	✓	✓
Padre Dam Municipal Water District	✓	✓
Spring Valley Sanitation District		✓
Sweetwater Authority	✓	

---

District (MWD), and the Sweetwater Authority provide water services; the City of Chula Vista, Lemon Grove Sanitation District (SD), and Spring Valley Sanitation District (SD) provide sewer services; and the Otay WD and Padre Dam MWD provide both water and sewer services.

Other service providers that were consulted during the Southern San Diego Water and Sewer Service MSR were the San Diego County Water Authority (SDCWA) and the water and sewer departments of the City of San Diego. The importance of the SDCWA and the City of San Diego's Metropolitan Wastewater Facility (METRO) to the region's ability to provide efficient water and sewer services cannot be overstated; however, the MSR's focus was the Southern San Diego County sub-regional water and sewer service network—not the standing of these larger regional agencies.

Agencies within the MSR region can be broadly categorized as either a *general-purpose* or *limited-purpose* agency. This is relevant because general-purpose agencies typically have a wider range of powers, including land use authority, and more funding sources than do limited purpose agencies. Regardless of scope of powers and funding, however, all agencies are fiscally autonomous. Within the limits of State law, each local government has the ability to craft unique fiscal policy and practices and each agency is empowered to make independent fiscal decisions. Interdependencies that exist between the region's agencies are primarily voluntary as no agency has authority over another.

#### **ABSTRACT OF MSR DETERMINATIONS**

The MSR includes 95 determinations in nine areas as required by State Law. Determinations indicate that the region's current water and sewer service systems are generally adequate and provide efficient services. Revenues to support services, which are overwhelmingly received from enterprise fees, are adequate to support the current system of service delivery and contribute to capital reserves for future needs. Strategies to reduce costs through management efficiencies such as resource sharing and outsourcing are widely practiced; however, it is likely that the Otay WD can reduce costs by focusing on employee moral and containing employee turnover and legal costs. There are issues surrounding significant sewer rate increases within the Lemon Grove SD and the City of Chula Vista.

Determinations sustain the adequacy of current emergency water service; the region's four water service providers have a diverse and complex structure for ensuring that water service will continue under emergency circumstances. Emergency planning for sewer service is also generally adequate, with the exception of the Lemon Grove SD, where emergency storage facilities or alternative wastewater routing are not available.

Determinations affirm that the region's agencies generally engage in sound planning for future services, including capital funding requirements. The region is cautioned, however, that extending services to new territory will require regional cooperation. The City of Chula Vista, City of San Diego, County of San Diego, Otay WD, and Sweetwater Authority are encouraged to establish a planning committee to resolve future water and sewer issues and prevent inefficient

duplicative service extension in the region. The City of Chula Vista and the Otay WD should begin reviewing an agreement for water service within the City, which will expire in 12 years and also establish a mutually acknowledged strategy for ensuring adequate water supply.

Determinations are critical of governance within the region. Specific policies should be adopted regarding retention and use of unrestricted reserves; agencies should form strategies to increase the pool of candidates for election; officials should adhere to residency and landowner requirements; agencies need to create mechanisms to enforce protocols for communications between staff and elected officials; public outreach should be improved in the Spring Valley SD, Lemon Grove SD and Sweetwater Authority, and the Otay WD is counseled to implement training on the Brown Act.

Determinations support studies to evaluate (1) the wholesale water relationship between the Padre Dam MWD and the Riverview and Lakeside Water Districts; (2) merger of the Lemon Grove SD with the City of Lemon Grove and as an alternative, realignment of the District's boundary with its actual service area; (3) transfer of the Otay WD sewer function to the Spring Valley SD; and (4) extension of Otay WD water services into the City of SD. Further determinations validate the need to assess potential reorganizations involving exchange of limited sewer service areas between the Otay WD and City of El Cajon and the Otay WD and the Padre Dam MWD; and exchange of limited water service areas between the Otay WD and Padre Dam MWD and the Helix WD and Padre Dam MWD.

Determinations also clarify that any proposal to reorganize water services between the Otay WD and the City of Chula Vista would require comprehensive analysis of alternative reorganizations that could provide benefits to all city residents. Alternatives would include variations on merging the Otay WD and South Bay ID or a merger of both Districts with the City. Determinations note that the majority of registered voters within The Otay WD and the South Bay ID are also City of Chula Vista constituents—concluding that city residents also control the water agenda.

#### **MSR WORKING GROUP CONCERNS**

The San Diego LAFCO Municipal Service Review Working Group actively participated in development of the Southern San Diego County Water and Sewer Service MSR. Joint public meetings of the Commission, Working Group, and the LAFCO Special District Advisory Committee were held on two occasions and the Working Group held several separate sessions. MSR information was presented to the Working Group in phases as it became available and revised draft generations of the MSR were completed based on the Group's comments.



Initially, information was collected from the region's agencies through a LAFCO questionnaire (Appendix D) and summarized in a document referred to as the *Data Summary* (Appendix A). Multiple generations of the Data Summary were circulated and subsequently revised as participating agencies and the Working Group focused on relevant information. The MSR agencies provided clarifications and additional details to their original submittals and LAFCO staff consulted other resources, such as the Government Officers Finance Association, for background information. A variety of issues emerged during the process. Among other subjects, Working Group members recommended that water conservation efforts in the region be reviewed; members inquired about levels of consulting services used by individual local agencies; and a request was made to include a pumping analysis.

The materials submitted by the MSR agencies were reviewed to determine if information was available to methodically analyze the requests. Because LAFCO policy for conducting MSRs (Appendix C) discourages multiple requests to agencies for information and limits the timeframe of an MSR to a specified period, complete information was sometimes not available; when present, information was integrated into the review.

The Commission adopted the San Diego County Water Authority (SDCWA) 2001 Survey of Rates (Appendix E) as the source of rate information for the MSR. Accordingly, water rate data incorporated into the Final Draft was extrapolated from the SDCWA document and is believed to be uniformly presented for all MSR agencies.

▪ **Assertions from Otay WD employees**

The Working Group heard comments and received exhibits critical of Otay WD management from one former and one current District employee. Two additional former employees submitted letters to LAFCO staff that criticized the District. Three other current employees of the Otay WD submitted comments in support of District management-employee relations; one of these individuals spoke before the MSR Working Group. Copies of comment letters are included in the Data Summary.

Incorporating the observations of individuals into a study of regional services is problematic. State Law requires MSRs to be based on nine determinations regarding the status of regional services based on objective analysis of service efficiencies. There must be direct evidence that service delivery has been affected in order for the employee's claims to be relevant to the MSR. The four claimants presented sobering personal accounts of experiences within the Otay WD organization; however, a causal relationship between the claims and the provision of district services was not established.

## **UPDATE TO PREVIOUS MSR DRAFTS**

The Final Draft MSR report contains updated information and limited revisions. In addition to issues discussed above, the Final Draft discusses registered voter and landowner requirements of elected officials; additional comments regarding sewer rate increases; and corrected numbers for sewer spills per hundred miles. Information from the Data Summary was used to demonstrate the variety of consultant services used by the region's agencies. It is noted that a pending agreement between the City of San Diego and the Otay WD, which allows the District to purchase reclaimed water from the City was finalized in November 2003, and a SDCWA construction project was completed during preparation of the MSR. These two topics are relevant to the discussion of Otay WD water supply.

### **Cost of conducting MSR**

The Southern San Diego County Water and Sewer Service Municipal Service Review required approximately 1,744 hours of LAFCO staff plus consultant time to prepare at a cost of approximately \$116,000.

## **ENVIRONMENTAL REVIEW**

Pursuant to San Diego LAFCO Administrative Procedures for implementing the California Environmental Quality Act (CEQA), this Municipal Service Review is exempt from the environmental impact evaluation process according to 15306. The MSR involves data collection, research, and evaluation activities that will not result in any disturbances to environmental resources.

### **Recommended:**

1. Find in accordance with the Executive Officer's determination, that pursuant to Section 15306 of the State CEQA Guidelines, the municipal service review is not subject to the environmental impact evaluation process because the service review consists of data collection and research that will not result in a disturbance to an environmental resource.
2. For the reasons set forth in the Southern San Diego County Water and Sewer Service Municipal Service Review adopt the Southern San Diego County Water and Sewer Service Municipal Service Review and associated Determinations.

Respectfully submitted,

MICHAEL D. OTT  
Executive Officer

SHIRLEY ANDERSON  
Chief, Policy Research

# THE MUNICIPAL SERVICE REVIEW

---

## BRIEF HISTORY OF THE MUNICIPAL SERVICE REVIEW

In 1997, AB 1484 (Hertzberg) established the Commission on Local Governance for the 21<sup>st</sup> Century. The Local Governance Commission evaluated local government organization and operational issues and developed a statewide vision for defining how the State should grow, placing special attention on the Cortese-Knox Local Government Reorganization Act of 1985 and the 57 Local Agency Formation Commissions governed by the Act.

Over a period of 16 months, the Local Governance Commission held hearings throughout the State to hear testimony and collect data concerning the need for governmental reform. Representatives from the San Diego region—including San Diego LAFCO Commissioners, the LAFCO Executive Officer, and a number of elected officials from San Diego region—provided testimony to the Commission.

In issuing its final report, the Local Governance Commission identified four recurring issues that frame the debate about the future of California:

- *The future will be shaped by continued phenomenal growth;*
- *California does not have a plan for growth;*
- *Local government budgets are perennially under siege; and*
- *The public is not engaged.*

Within this context, the Local Governance Commission concluded that LAFCO powers needed to be strengthened and that LAFCOs should be an integral participant in all regional growth and planning forums. Among other statutory changes, the Commission recommended that State Law be amended to require that spheres of influence will be regularly reviewed and updated and that LAFCOs initiate periodic regional or sub-regional municipal service reviews to help ensure the efficient provision of local governmental services.

## LEGISLATION

The State Legislature recognized the validity of the Local Governance Commission's conclusions and approved AB 2838 (Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000), which became effective in 2001. Among other requirements, AB 2838 requires LAFCOs to review adopted spheres—and update them if necessary—not less than once every five years. The five-year timeline is advisory, not mandatory; however, many LAFCOs throughout the state, including the San Diego LAFCO, have embarked on aggressive sphere update and

service review programs. AB 2838 also requires the Commission to conduct countywide, regional, or sub-regional reviews of municipal services either before, or in conjunction with, sphere updates.

### **MUNICIPAL SERVICE REVIEW REQUIREMENTS**

The term municipal services generally refers to the full range of services that a public agency provides or is authorized to provide. The Governor's Office of Planning and Research (OPR) has concluded that LAFCO is only required to review services provided by agencies with spheres of influence. In addition, OPR has determined that LAFCOs have complete flexibility in identifying which services will be reviewed, the timetable for review, and what geographic areas will be selected for review.

The statewide requirement for service reviews is a response to the identified need for a more coordinated and efficient public service structure to support California's anticipated growth. The service review provides LAFCO with a tool to comprehensively study existing and future public service conditions and to evaluate organizational options for accommodating growth, preventing urban sprawl, and ensuring that critical services are efficiently provided.

### **MSR DETERMINATIONS**

In preparing a municipal service review LAFCOs are required to make a written statement of determination with respect to each of the following:

1. Infrastructure needs or deficiencies
2. Growth and population projections for the affected area
3. Financing constraints and opportunities
4. Cost avoidance opportunities
5. Opportunities for rate restructuring
6. Opportunities for shared facilities
7. Government structure options
8. Evaluation of management efficiencies
9. Local accountability and governance

LAFCO must make determinations regarding the provision of public services per the provisions of Government Code § 56430. The municipal service review process does not require LAFCO to initiate changes of organization based on the determinations; nevertheless, LAFCO, local agencies, and the public may subsequently use the determinations as an informational tool to consider changes to services, local jurisdictions, or spheres of influence.

It is worth noting, that local agencies are not the object of the municipal service review; rather, service reviews are intended to survey the *adequacy of public services* within specific regions. Nevertheless,

because public agencies are the mechanism for providing services, the review of individual agencies is unavoidable.

### **SAN DIEGO LAFCO MSR GUIDELINES**

The San Diego Commission responded immediately to the mandates of AB 2838 by adopting a schedule for conducting the first round of sphere reviews, possible sphere updates, and municipal service reviews and appointing a MSR Working Group to advise the Commission on issues related to individual MSRs. When State MSR Guidelines from OPR, which were to be issued by July 1, 2001, were not forthcoming by February 2002, San Diego LAFCO adopted its own *Municipal Service Review Guidelines* following extensive review and comment from the Commission's Special Districts Advisory Committee, Ad hoc Cities Advisory Committee, the Municipal Service Review Working Group, and the public (Appendix B).

The primary purpose of the local guidelines is to assist San Diego LAFCO in making the nine determinations required by the Municipal Service Review statute. According to the Guidelines, service reviews will be generally prepared in conjunction with sphere of influence studies or updates; however, service reviews may also be conducted independent of the sphere of influence process. LAFCO will conduct municipal service reviews independent of sphere updates, based on a number of factors, including but not limited to: concerns of affected agencies, the public or LAFCO; public demand for a service review; public health, safety, or welfare issues; and service provision issues associated with areas of growth and development.

Amendments to a sphere of influence, as determined by LAFCO, will not require a municipal service review. A list of the relevant factors of analysis that may be considered during the preparation of service reviews is also included in the San Diego LAFCO Guidelines.

According to the San Diego LAFCO Guidelines, municipal service reviews will address identified services within the service review boundary that are generally associated with growth and development. Target services include—but are not limited to—water, sewer, drainage, roads, parks, police, and fire protection. General government services such as courts, social services, human resources, treasury, tax collection, and administrative services will generally not be addressed. LAFCO will determine which services will be included in each service review. LAFCO may also defer the review of certain services to subsequent studies based on local conditions and circumstances. For example, the Southern San Diego County Water and Sewer Service MSR surveys only the sewer service function of the City of Chula Vista; other City services will be addressed in future studies.

Generally, service reviews are conducted for sub-regional areas within the County of San Diego; however, a service review can cover a geographic area that encompasses a single agency or multiple agencies.

Agencies that have service provision issues related to a current service review, as identified by LAFCO, may be included. Service reviews addressing multiple services may have separate geographic boundaries established for each service.

In April 2003, the Commission, in consultation with the Municipal Service Review Working Group and the Special Districts Advisory Committee, adopted the *Strategy for Conducting and Using Municipal Service Reviews* (Appendix C). The Strategy, establishes a framework to assist the Commission in preparing MSRs including direction for developing a scope of work; collecting information; adhering to a study timeframe; focusing on a programmatic view of service delivery; discerning appropriate levels and types of information required; and ensuring accuracy and relevancy of data that is collected.

## INFRASTRUCTURE, FACILITIES, AND SERVICES

---

### 1.0 PLANNING FOR FUTURE SERVICES

Local government's ability to provide efficient and cost effective public services is linked to an integrated program of short and long-range planning. Determining future service needs—and developing strategic plans to ensure that physical and capital resources will be available as required—is a fundamental activity of local government.

Generally, local public agencies use master plans or capital improvement plans, or variations of these processes, as planning tools. Master plans are especially important for agencies that have abundant developable territory or are experiencing significant growth. There is no legal requirement regarding the frequency for preparing master plans; however, the five-year preparation standard is so prevalent in California that absence of a regularly updated master plan becomes noteworthy. Preparing and updating master plans at five-year intervals allows agencies to evaluate changing conditions.

#### ■ Planning choices

The choice of appropriate planning processes can be influenced by such factors as an agency's geographic size, population density, or age of infrastructure. Agencies serving predominately built-out territory or areas with little expectation of growth are, as a rule, concerned with routine maintenance and the upgrade of aging infrastructure to meet new safety and regulatory standards. Preparing a master plan under such conditions should still occur, but it should be based on a less intensive planning process.

Planning creates a vision for providing future services; however, the vision will not materialize if plans are not put into action. Timely funding choices must be pursued in order to achieve the service goals established by the planning process. Implementation schedules must be developed and adhered to and adequate resources must be dedicated to capital projects if planned goals are to be realized. Moreover, if maintenance or upgrade plans are deferred in the budget or capital improvement process—not only will planned goals go unrealized—the condition of infrastructure and existing levels of service can be degraded as well.

#### ■ MSR Water service providers—PLANNING FOR FUTURE SERVICES

Among the region's four water service providers, the Helix WD and the Sweetwater Authority—both more than 95 percent built-out—focus on maintenance, replacement, and upgrade of existing facilities. The Helix WD relies on a 10-year Capital Improvement Plan, implemented by annually assessed Capital Improvement Programs, while the Sweetwater Authority's 2002 Water System Master Plan sets priorities for infrastructure replacement schedules, which are approved annually. The higher growth Otay WD updates a Water Resources Master Plan approximately every five years—most recently in 2002; engages in joint developer/district sub-area master planning; and annually prepares a 5-year Capital Improvement Program. The Padre Dam MWD serves a growing area and has a 2001 Integrated Facilities Plan and a Capital Improvement Program that allocates projects annually through 2020.

#### ■ MSR Sewer service providers—PLANNING FOR FUTURE SERVICES

The choice of an appropriate planning process among the region's five sewer service providers varies. The Lemon Grove SD has a service area of only 3.8 square miles. The District, which is essentially built-out and expects negligible growth, relies on a 1999 Capital Improvement Program and on-going staff-level assessment to determine infrastructure needs. Likewise, the Otay WD, which covers 129 square miles and generally serves a high growth area for water service, provides sewer service only within a limited, largely built-out section of the District. Consequently, the Otay WD utilizes sub-area plans to determine infrastructure needs for specific in-fill projects within the sewer service area.

In contrast, the Padre Dam MWD prepares an Integrated Facilities Plan for sewer, water, and recycled water systems every 5 to 10 years—most recently in 2001. The Spring Valley SD has completed an updated Master Facility Plan that is the basis for a 10-year Capital Improvement Program. The City of Chula Vista, which has both high and low growth areas, has released a request for proposal to update a 1989 Wastewater Master Plan in conjunction with a general plan update.

It should be noted that the City of San Diego prepares a 10-year Capital Improvement Plan for the Metropolitan Wastewater System (METRO) using the 10-year projection of flows prepared by participating agencies.



## 1.1 PAYING FOR INFRASTRUCTURE

Water and sewer services are infrastructure intensive compared to many other public services. Fire protection, education, or various social services, for example, depend on human capital, not physical infrastructure, to provide services to the public. The treatment facilities, pipeline systems, and storage facilities—infrastructure synonymous to both water and sewer systems—consume significant portions of the agencies’ budgets to construct and maintain. In general, water and sewer service agencies spend 30 to 40 percent of their revenues on capital facilities in contrast to the 5 to 10 percent spent by general-purpose agencies.<sup>1</sup>

Local public agencies do not commonly pay for expensive infrastructure with cash. Because projects such as potable water or wastewater systems are costly, it is usually not feasible to budget such projects as single-year expenses. Local agencies that need to underwrite costly projects must either defer implementation until sufficient funds can be accumulated or borrow money in order to spread the expense—with added interest costs—over time. In situations where it is legally or politically infeasible to raise taxes or impose assessments to increase revenues, long-term debt may be an agency’s only practical alternative to pay for infrastructure.

Local governments frequently turn to the municipal bond market to secure long-term debt. “The more than \$1.2 trillion of municipal bonds now outstanding in the United States is dramatic evidence of the importance of this financing.”<sup>2</sup> Within San Diego County, outstanding bond debt in 1998-99—just for special districts—totaled \$81,230,000 in general obligation bonds and \$375,310,235 in revenue bonds.<sup>3</sup>

Agencies rely on various combinations of long-term debt and pay-as-you-go funding from current revenue streams to fund capital projects. When appropriate, *pay-as-you-go* funding is desirable, because it helps keep debt levels low and low levels of debt influence an agency’s credit rating for projects that do require debt financing. A high credit rating, which can be an indication of an agency’s ability to successfully manage debt, has a straightforward effect on a bond issue; a high rating renders lower interest costs to the issuer.

### MSR Water service providers—PAYING FOR INFRASTRUCTURE

Each of the four water service agencies within the region relies on a mixture of *pay-as-you-go* and long-term funding for major capital programs. Interestingly, the Sweetwater Authority indicates that, in years when local rain runoff is captured in its two reservoirs, the Authority is able to avoid long-term debt; value of the captured water

<sup>1</sup> *Financing Cities*, League of California Cities, Michael Coleman, pg. 16.

<sup>2</sup> *Financing Public Infrastructure & Enterprise Activities in California*, UCLA Extension Public Policy Program, May 1997, pg. 2.

<sup>3</sup> *Special Districts Annual Report* FY 1998-99, California State Controller, pg. 115, 116.

at current raw water prices is estimated at \$23 million.<sup>4</sup> The region's water agencies have bond rating in the *high-grade to best-quality* range.

#### ■ MSR Sewer service providers—PAYING FOR INFRASTRUCTURE

Sewering agencies within the MSR region use various combinations of funding arrangements to pay for infrastructure. For example, the geographically limited and low-growth Lemon Grove SD funds improvements exclusively on a *pay-as-you-go* basis from sewer service fees, while the high-growth Padre Dam MWD funds projects from current revenues and long-term debt. The Spring Valley SD finances new and upgraded infrastructure with sewer service connection fees, annexation fees, grants, loans, and sale of surplus district property. The City of Chula Vista utilizes development impact fees and capital reserves funded through connection fees to fund sewer projects. Bond ratings for those sewer agencies within the MSR region, which utilize long-term debt, are in the *high-grade to best-quality* range.<sup>5</sup>

### 1.2 INFRASTRUCTURE DEFICIENCIES

An extensive record of infrastructure deficiencies or numerous notices of regulatory violations within the MSR region could indicate that the region's water and sewer services are compromised. On the other hand, if there is compliance with regulatory requirements and insignificant reports of system deficiencies, it may be reasonable to conclude that local agencies are performing within appropriate service parameters.

#### ■ MSR Water service providers—INFRASTRUCTURE DEFICIENCIES

None of the region's water service providers received notices of regulatory violations concerning infrastructure. No specific deficiencies in the region's potable water system were documented; however, the Padre Dam MWD's Integrated Facilities Plan makes projections of future deficiencies. Indications of system *efficiencies* were noted. The City of Chula Vista's Growth Management Oversight Commission (GMOC) provides an annual assessment of quality-of-life indicators for public facilities and services. A GMOC report annually assesses threshold indicators for city sewer service and also water services provided to city residents by the Otay WD

---

<sup>4</sup> Sweetwater Authority RFI A3 pg. 3.

<sup>5</sup> City of Chula Vista sewer infrastructure is not funded with long-term debt; accordingly, the City's bond rating of "A" (medium-quality) has not been factored into analysis of sewer funding. The Lemon Grove SD, which does not utilize long-term debt, does not have an established bond credit rating. The District is required to maintain financial autonomy from the City of Lemon Grove. Accordingly, the City's bond rating is irrelevant to the creditworthiness of the Lemon Grove SD.

and the Sweetwater Authority. Threshold findings in 1999, 2000, and 2001 for both city sewer service and district water services were reported as, “*In compliance.*”

**■ MSR Sewer service providers—INFRASTRUCTURE DEFICIENCIES**

None of the region’s sewer service providers received notices of regulatory violations. Moreover, reported incidences of infrastructure deficiencies among the sewer service agencies are limited. Records of sewer spills per hundred miles within the MSR reporting period disclose a low incidence of spill—the Lemon Grove SD being an anomaly. The Otay WD states that three wastewater spills, which occurred between 1996 and 1999, resulted from a contractor’s error—not system deficiencies; the City of Chula Vista acknowledges two capacity restriction incidents in the City’s wastewater system and noted that the deficiencies will be corrected in 2003. The Padre Dam MWD’s Integrated Facilities

▼ Figure 1.0

Sewer Spills Per Hundred Miles				
	System Size	1999-2000	2000-2001	2001-2002
City of Chula Vista	420 mi.	0.2	1.7	1.4
Lemon Grove SD	65.5 mi.	10.7	4.6	13.7
Otay WD	86 mi.	1.7	0.0	0.0
Padre Dam MWD	143mi.	0.7	0.7	2.8
San Diego County ++	380 mi.	1.1	0.3	1.1

Source: State Regional Water Quality Control Board Region 9 Sanitary Sewer Overflow Statistics (Updated May 31, 2003)

++ Includes Alpine, Lakeside and Spring Valley County Sanitation Districts

Plan includes projects designed to prevent deficiencies. Likewise, there are no operational deficiencies within the Spring Valley SD; however, the District’s recently updated Facility Master Plan identifies needed upgrades based on current growth projections. The Lemon Grove SD considers difficulty in “...*accessing and servicing existing rear-property easement lines,*” to contribute to system deficiencies.

**1.3 USE OF EXCESS CAPACITY**

Under-utilized facilities or excess capacity can be an indication of a flawed planning process that over-estimates service needs. Underutilized components of a water or wastewater system may be desirable where facilities are required for long-range regional needs; nonetheless, overstated needs can consume public funds, which consequently are unavailable for genuine concerns. Excess capacity can also indicate that opportunities to gain efficiencies through cooperative use of facilities have been overlooked. Then again, under-utilized facilities can be an indication of efficiently used public funds that have purchased future capacity with current dollars, or of infrastructure purposefully designed to accommodate future growth or seasonal or emergency issues.

#### ■ MSR Water service providers—USE OF EXCESS CAPACITY

Among the region’s four water service providers, the Helix WD is the only agency to declare that a potential to share a single facility (storage tank space) is present. All other agencies indicate that infrastructure is appropriately sized for current, seasonal, or emergency needs.

#### ■ MSR Sewer service providers—USE OF EXCESS CAPACITY

Among the MSR region’s five sewer service providers, only the City of Chula Vista reports that planned excess capacity in the City’s Salt Creek Gravity Sewer Interceptor, when completed, may have potential for temporarily sharing facilities with other agencies.<sup>6</sup> The City also indicates that a 1960’s decision to purchase excess capacity from the METRO at 1960 prices has provided cost-efficiencies for Chula Vista, as the cost for buying capacity in the METRO system has risen over the years.<sup>7</sup> All other sewerage agencies indicate that infrastructure is appropriately sized for current, seasonal, or emergency needs.

### 1.4 PLANNING AND POPULATION PROJECTIONS

Because projected growth patterns should influence the location and sizing of future public facilities, it is essential that population and development forecasts be integrated into the planning process.

The San Diego Association of Governments (SANDAG) is the state-designated Regional Census Data Center for the San Diego region. SANDAG has produced short-range and long-range forecasts of growth in the region since 1971. Forecasts are updated every two years to examine the impacts of changes in public policies and economic conditions affecting population growth and distribution.<sup>8</sup> Each forecast is certified to be the source of population data for regional studies by the County’s 18 municipalities, the County of San Diego, and the SANDAG Board of Directors. Special districts are not member agencies of SANDAG and, therefore, do not participate in the review and certification of the bi-annual forecasts.

Within the boundaries of the MSR study and vicinity, the County of San Diego and the Cities of Chula Vista, National City, Lemon Grove, La Mesa, El Cajon, and Santee have the ability to adopt the land use policies that will influence growth patterns. Special districts within the region can only plan for the outcomes, which jurisdictions with land use authority create. For example, the County of San Diego’s *2020 General Plan*, which will be based on targeted population densities rather than specific

---

<sup>6</sup> City of Chula Vista RFI A-5 pg. 5.

<sup>7</sup> Ibid.

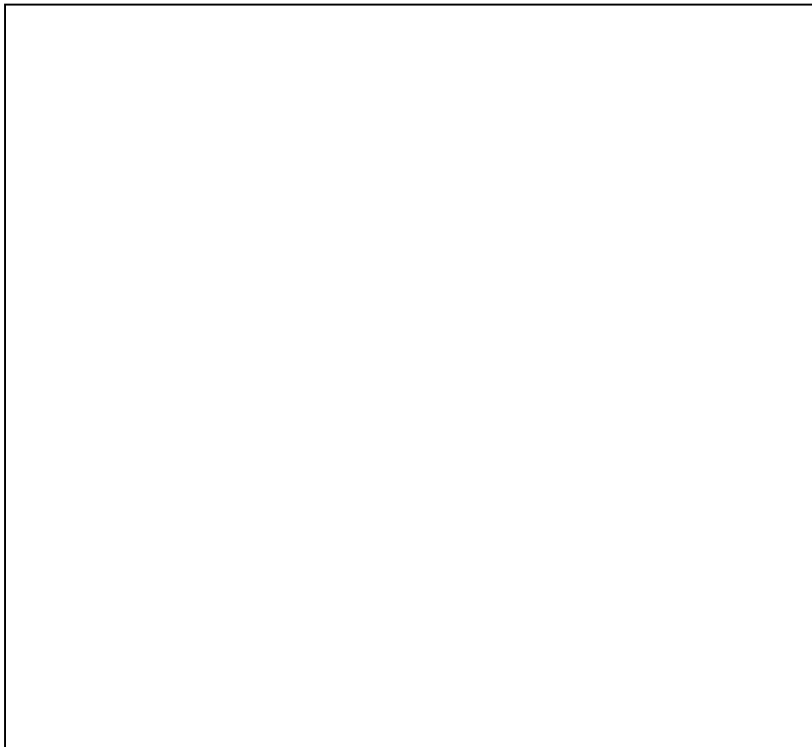
<sup>8</sup> SANDAG, *2020 Cities/County Forecast*, Vol. I, Pg. 3.

land uses, could have a significant impact on the timing and sizing of special district infrastructure. Accordingly, it will be necessary for the County to coordinate the general plan program with city and special district service providers.

■ **Growth Measurements**

SANDAG uses a multilevel geographic reference system to present population data. One commonly used level employs major statistical areas (MSA), which are aggregations of census tracts. MSA boundaries do not change, whereas city and special district boundaries may be altered through annexations and detachments. Tabulating data within MSAs allows comparisons to be made over time for the same geographic area.

The Southern San Diego County Water and Sewer MSR falls into three MSAs: the *South Suburban*, *East Suburban*, and *Central* MSA. Growth projections among the three areas differ significantly. According to SANDAG's *2020 Cities/County Forecast*, population in the *South*



◀ Map A

*Suburban* MSA is predicted to increase 91 percent between 1995 and 2020. In contrast, the *East Suburban* MSA is predicted to grow 30 percent, and the *Central* MSA 29 percent in the same period. Map A illustrates the distribution of agencies in the Southern San Diego County

Water and Sewer MSR in relation to the *South Suburban*, *East Suburban*, and *Central* MSAs.

▪ **Growth within major statistical areas**

Rates of growth within the MSAs seem to indicate that the *South Suburban* MSA—at 91 percent—will absorb the largest population increase. Actual numbers, however, reveal that anticipated growth in the *East Suburban* MSA far outpaces growth in both the *South Suburban* and *Central* MSAs. Further evidence of how the predicted growth will impact the MSR region is evident in predicted land use changes. Between 1995 and 2020, it is anticipated that 39,233 additional acres will come under development in the *East Suburban* MSA—compared to only 8,701 acres in the *South Suburban* MSA and 958 acres in the *Central* MSA.

▼ **Figure 1.1**

<b>Predicted MSA Growth: 1995 to 2020</b>	
South Suburban MSA	+91% growth
East Suburban MSA	+30% growth
Central MSA	+29% growth

Source: SANDAG, INFO, September-October 1999

The anticipated growth will not be spread evenly among the agencies; for example, forecasts predict that built-out Lemon Grove SD and the Otay WD sewer service areas will experience minimal growth, while the Otay WD water service area will need to accommodate annual growth

► **Figure 1.2**

<b>Predicted Acreage Change by Land-use Category: 1995-2020</b>			
<b>Land Use Category</b>	<b>South Suburban MSA</b>	<b>Eastern Suburban MSA</b>	<b>Central MSA</b>
Low-Density Single Family	+1,646 acres	+37,405 acres	0 acres
Single-Family	+5,161 acres	+4,737 acres	-965 acres
Multiple-Family	+2,018 acres	+ 836 acres	+1,635 acres
Mobile Homes	-141 acres	-38 acres	-54 acres
Other Residential	0 acres	+8 acres	-18 acres
Industrial	+1,907 acres	+393 acres	-87 acres
Commercial/Services	+1,329 acres	+695 acres	+326 acres
Office	+217 acres	+163 acres	+143 acres
Schools	+251 acres	+65 acres	+21 acres
Agricultural and Extractive	-5,684 acres	-5,870 acres	-5 acres
Parks and Military Use	0 acres	0 acres	-167 acres
Roads/Freeways	+1,998 acres	+837 acres	+130 acres
<b>TOTAL CHANGE</b>	<b>+8,701 acres</b>	<b>+39,233 acres</b>	<b>+958 acres</b>

Source: SANDAG 2020 Cities/County Forecast

between three to seven percent. Nevertheless, it is reasonable to assume that each of the region’s public agencies will be called upon to provide services to future development. Population changes can be an important factor in planning for future services—even if change will occur only as limited infill development.

#### **■ MSR Water service providers—PLANNING AND POPULATION PROJECTIONS**

The region’s four water service agencies acknowledge the need for integrating population projections into their planning processes. The agencies rely on SANDAG forecasts as data sources for growth and population changes. Generally, SANDAG data is adjusted to reflect the agencies’ own growth and consumption experiences and integrated into proprietary models for calculating future service demands.

#### **■ MSR Sewer service providers—PLANNING AND POPULATION PROJECTIONS**

All of the region’s sewer service providers rely on SANDAG forecasts for data and acknowledge the need to integrate population projections with planning.

### **1.5 INFILL POLICY**

City and county governments are the only units of local government that have direct land use authority. The land use policies of limited-purpose agencies are usually neutral. The County of San Diego and the City of Lemon Grove, as parent agencies of the subsidiary Spring Valley and Lemon Grove Sanitation Districts, and the City of Chula Vista are the only agencies within the MSR study area with land use authority and the resulting ability to direct development to infill areas. And although it can be argued that, “. . . public works, not public policy determine the location, timing and intensity of development,”<sup>9</sup> the limited-purpose agencies within the region can only anticipate—and plan for—the outcomes that the jurisdictions with land use authority create.

#### **■ MSR agencies with land-use authority—INFILL POLICY**

The San Diego County Board of Supervisors has adopted two policies concerning sewer service in the unincorporated area, which address infill. Policy I-36 provides that, with certain exceptions, installation of sewer infrastructure outside of a County Sanitation District is prohibited. Policy I-107 encourages infilling of certain portions of East County consistent with the County’s land use plans. Policies I-36 and I-107, with respective sunset dates of 12-31-02 and 12-31-96, will likely be revisited when the *San Diego County General Plan 2020 Update* process has been completed. The City of Lemon Grove is substantially built-out and all future development would be classified as infill. The City of Chula Vista uses various

---

<sup>9</sup> *What’s So Special About Special Districts? A Citizen’s Guide to Special Districts in California*, Third Edition, February 2002, pg. 14.

development entitlements to encourage infill but does not have a specific policy to establish sewer-service priorities for infill areas.<sup>10</sup>

#### **■ MSR Agencies without land use authority—INFILL POLICY**

None of the limited purpose jurisdictions have policy that directly addresses infill. The Helix WD and the Sweetwater Authority are both 95 percent built-out and virtually all new development would be classified as infill. The Otay WD and Padre Dam MWD have reasonably high growth expectations; however, both agencies restrict sewer service to limited urbanizing areas, which could be considered a de facto infill policy.

### **1.6 EQUITABLE SERVICE PROVISION**

Services should reasonably be provided to all territory within the boundary of a public service agency. If services are provided unequally across the agency or some areas are deprived of services because of infrastructure or topographic restrictions, there may be justification to examine a boundary adjustment that would transfer underserved territory to an agency with greater ability to serve the area.

#### **■ All MSR agencies—EQUITABLE SERVICE PROVISION**

Each sewer and water agency within the MSR region indicates that services are equitably provided, either agency-wide or within service-specific zones. For example, potable water services within the Otay WD and Padre Dam MWD are available district-wide; however, reclaimed wastewater and sewer services are provided within distinct, service-specific areas that are supported by separate planning and budgetary systems.

The Padre Dam MWD does not provide retail water service to all territory within its boundary. The District has a unique service organization and functions as a water wholesaler to two retail water agencies—the Lakeside Water District (WD) and the Riverview Water District (WD)—that are located totally within the Padre Dam MWD boundary. This organization and other issues will be evaluated in a sphere update and MSR study focusing on the Padre Dam MWD, Lakeside WD, and Riverview WD. The study was recently initiated and will be completed within the next 12 months.

The Padre Dam MWD also notes a service condition that may be common among other water agencies. Due to topography and age of the District's system, some areas within the Padre Dam MWD have a variance in water pressure and do not meet current fire flow

---

<sup>10</sup> City of Chula Vista RFI A-15, pg. 9.



standards. “*The District’s original water delivery system...built in the late 1960s was built to meet the fire flow requirements of that time. The minimum flows now required for residential and commercial development exceed the design requirements of the 1960s.*”<sup>11</sup> The Padre Dam MWD is addressing the issue. The Otay WD completed a system improvement project in 1999 that increased fire flow delivery capacity in areas of need. It is reasonable to assume, however, that changing fire flow standards may be of mutual concern to other water service and fire protection service agencies. What is desirable—perhaps necessary—from fire protection agency perspective and what is deliverable from water service agency view may be an issue requiring regional coordination and cooperation.

Reclaimed wastewater is available to a limited customer base within the Otay WD and the Padre Dam MWD; however, the production of recycled wastewater is generally held to benefit all district customers. The process of reclamation reduces dependence on METRO for wastewater treatment and disposal, increases the availability of local water supplies, and decreases dependence on imported water. The SDCWA and MWD support this notion by issuing incentive water credits to agencies engaged in wastewater reclamation. The availability of reclaimed wastewater also supports the goals of the general-purpose agencies that condition development plans upon procurement of reclaimed wastewater for landscape irrigation. The Padre Dam MWD reclamation program provides an additional regional benefit by supporting aquatic recreational facilities available at the Santee Lakes Regional Park and Campground.

Both Districts process wastewater at Title 22 tertiary treatment facilities and distribute recycled water to customers based on market demand and the relative cost/benefit of constructing transport infrastructure. Further limitations to distribution are defined by the San Diego Regional Water Quality Control Board (SDRWQCB), which prohibits the use of recycled water within watersheds that are tributary to surface water reservoirs where water for domestic potable use is stored. The location of the Sweetwater Reservoir, Upper Otay Reservoir, and Lower Otay Reservoir prohibit the Otay WD from distributing recycled water within the entire northern area and a portion of the southern area of the District.

The Padre Dam MWD recycled water system is capable of producing an average of 2 mgd of recycled water. An estimated maximum demand of 0.5 mgd is needed to replenish the seven lakes at the Santee Lakes Regional Park and to irrigate park landscaping. Another 1.4 mgd is committed to recycled water users throughout the western part of the District. Because the maximum day demand

---

<sup>11</sup> Padre Dam RFI A9, pg 6.

occurs in summer, the District has excess recycled water available in the winter. The District’s Integrated Facilities Plan considers the cost/benefit impacts of expanding the recycled water system to new markets.

The Otay WD’s Ralph W. Chapman Water Recycling Facility is able to produce 1.3 mgd of treated effluent. Demand for recycled water—which exceeds supply—varies from month to month, reaching a peak during summer months. The supply shortfall is met by supplementing the recycled water with potable water.

Although it is common within the industry for agencies to blend reclaimed wastewater with potable water to meet seasonal demand and/or water quality standards, the Otay WD is moving towards eliminating its dependence on SDCWA supplies by purchasing recycled water from the City of San Diego. The District and the City have finalized a contract that allows the District to purchase up to six mgd of reclaimed water from the City’s South Bay Water Reclamation Plant.

**1.7 EMERGENCY PLANNING**

Public sewer and water agencies are required to maintain systems that will withstand prolonged disruption of normal service. Every system should be created with flexibility and strategic redundancy so that safe, reliable service can continue under emergency conditions.

Because the MSR water service providers operate in a semi-arid region with limited local water sources, a dependence on imported water supplies, and the ever-present potential for seismic activity, the agencies

▼ **Figure 1.3**

Local Water Supply: 2001			
	SDCWA-supplied	Local Supply	% of Local Supply
Helix WD	37,419 acre ft	2661 acre ft	6.6%
Otay WD	30,002 acre ft	850 acre ft	2.7%
Padre Dam MWD	20,040 acre ft	505 acre ft	2.4%
Sweetwater Authority	11,177 acre ft	6,447 acre ft	36.5%

Source: SDCWA Annual Report 2001

need to develop storage facilities and alternative supply sources. The San Diego County Water Authority (SDCWA), which sets policies and guidelines for its 23 member agencies, recommends that members to be able to withstand a planned 10-day winter shutdown of an SDCWA aqueduct pipeline. SDCWA

also works with member agencies to reduce dependence on imported supplies by expanding local water sources and increasing regional storage.

Sewer agencies need to maintain emergency storage facilities for waste flows or have the ability to divert wastewater to alternative facilities.

## ■ MSR Water service providers—EMERGENCY PLANNING

The region's four water service providers have a diverse and complex structure for ensuring that water service will continue under emergency circumstances. Each agency has the capability to withstand a planned 10-day shutdown of SDCWA service. Each agency has also developed alternative local water sources to augment wholesale purchases from SDCWA. The Helix WD maintains 80 to 106 days of untreated water in the combined storage capacities of Lake Jennings, Lake Cuyamaca, and El Capitan Reservoir. The RM Levy Water Treatment Facility (WTF) can treat 106 million gallons per day (mgd); average daily demand within the District is 40 mgd. The Levy plant can produce more water than needed under all conditions except prolonged power outage. Under emergency conditions, 160 mgd can be processed at the Levy WTF with generators.

The Otay WD considers failure of SDCWA pipeline No. 4 to be one of the most serious threats to supply. In the event of a pipeline No. 4 interruption, the District would meet the SDCWA 10-day guideline by drawing upon emergency covered stored supplies and alternative supply sources. The District's emergency water supply plan requires the District to maintain five-days of locally stored potable water plus at least five days of alternative supply, such as arrangements with neighboring agencies; the District currently has 22 interagency connections.

Each of the Otay WD's three systems currently fulfills the District's emergency supply plan. The southern, or Otay Mesa system, has two storage reservoirs with a combined capacity of 47.7 mg; the average daily demand on this system is 1.86 mgd (18.6 mg for the 10-day period). Demand in the Central system is approximately 10.95 mgd, or approximately 109.5 mg for 10 days. The District's Central system has 69.6 mg of storage and a connection with the City of San Diego, which delivers another 7 mgd. Together, the Otay Mesa and Central systems furnish sufficient supplies to meet emergency plan guidelines. Moreover, a recently completed transmission system between the Central and Otay Mesa systems transports excess Otay Mesa supplies to the Central area.

Demand in the District's northern area is approximately 9.64 mgd or 96.4 mg for 10 days. With completion of the SDCWA Flow Control Facility No. 14 between the La Mesa Sweetwater Extension and the Helix WD Flume in August 2003, the Otay WD's northern system is able to meet or exceed its emergency plan requirement.

The Padre Dam MWD also has the ability to meet or exceed the SDCWA 10-day guideline if water delivery from the SDCWA pipeline No. 4 is interrupted. The District's Integrated Facilities Plan requires the District to maintain a combination of storage capacity and supply alternatives to withstand a 10-day interruption—not

simply in the SDCWA supply—but in any of the District’s water sources, including an interruption in supply from the Levy WTF.

Because of the Sweetwater Authority’s diversification of supply sources, the Authority can draw from any combination of treated or untreated imported water, reservoir water, demineralization plant supply, or National City wells. The Authority maintains a four-month supply of emergency water in its own two reservoirs at all times. The Sweetwater Authority’s Perdue Treatment Plant is equipped with emergency generator power to pump reservoir water into the plant where, again, generator power will run the water treatment process. The Authority also maintains interconnections with neighboring agencies for alternative water supplies.

#### **■ MSR Sewer service providers—EMERGENCY PLANNING**

Each of the region’s five sewer agencies is a member of the METRO system. In emergency situations, including failure of wastewater reclamation facilities, the Spring Valley SD, Padre Dam MWD, Otay WD, and the City of Chula Vista are prepared to divert wastewater flows from points of failure to alternative lines to be transported to the METRO facility at Point Loma. These four agencies also indicate that they maintain emergency power sources and limited storage at critical points in their systems. The Lemon Grove SD states that neither storage nor alternative transport lines to METRO are available for emergency service.

### **1.8 APPROPRIATE BOUNDARIES**

The boundaries of local governments should define territory where agencies can logically provide services. Spheres of influence should identify areas where it can be determined that the agency will be prepared to provide efficient future service. Including territory within a boundary, which *cannot* be logically served by the agency, or excluding territory, which *can* be logically served, aggravates inefficiencies and may indicate that a boundary adjustment is appropriate. For example, adjusting jurisdictional boundaries to mirror topography might avoid or lessen pumping charges for wastewater services. Local agencies should, as a rule, avoid providing services outside of their boundaries. Extra-territorial service introduces needless complexity into regional service provision and, if extensive, extra-territorial service arrangements can strain an agency’s infrastructure system to the detriment of those living within the agency. Moreover, customers receiving extra-territorial services are unable to participate in selecting the agency’s political body or support or oppose voter-approved assessments that might update or improve the services they are receiving.

#### **■ MSR Water service providers—APPROPRIATE BOUNDARIES**

The Padre Dam MWD identifies limited areas along its boundary where another agency may be able to provide more efficient service. The Padre Dam MWD also suggests that its two wholesale water customers—the Lakeside Water District and the Riverview Water District—should pursue alternative water sources, including membership with SDCWA or proxy membership through the Helix WD.

The Otay WD extends water service beyond its boundary to the U.S. Border Patrol Station complex at Brown Field within the City of San Diego.<sup>12</sup> The Helix WD provides service to 15 extraterritorial parcels; the Sweetwater Authority provides services to eight parcels within the City of San Diego; and the Padre Dam MWD provides irrigation or fire flow services to seven extra-territorial parcels. The majority of identified extra-territorial service either commenced prior to the 1994 legislation that requires LAFCO to authorize extension of services beyond a local agency's boundary or is exempt from the statute.<sup>13</sup>

#### **■ MSR Sewer service providers—APPROPRIATE BOUNDARIES**

Two of the region's sewer service providers suggest that efficiency could be increased by surrendering territory to other agencies. The Padre Dam MWD identifies District territory in the unincorporated community of Crest where the Padre Dam MWD does not have sewer infrastructure and believes that the Otay WD could provide service—although the Otay WD does not agree.

The Otay WD has identified limited areas along its mutual boundary with the City of El Cajon where slope would indicate that the City could provide the most efficient service. Two lift stations could be eliminated and considerable savings could be realized if the City of El Cajon assumed service responsibility in this area. The Otay WD also indicates that sewer service in the Jamacha Basin, which is split between the Otay WD and the Spring Valley SD, would be more efficient if consolidated under the Spring Valley SD.

The Lemon Grove SD extends approximately 1575 EDUs to residents outside of the District and outside of the City of Lemon Grove. Approximately 847 EDUs have been provided to residential properties in the City of San Diego since 1947; approximately 728 EDUs to a residential development within the City of La Mesa since

---

<sup>12</sup> *Water Service Agreement Between the City of San Diego and Otay Water District For The Border Patrol Station At Brown Field In San Diego*, Document No. RR-289301, Office of the City Clerk, San Diego, California, Oct. 21, 1997.

<sup>13</sup> Effective January 1, 1994, a city or district may provide new or extended services by contract or agreement outside its boundaries only if it first requests and receives written approval from LAFCO. Agreements involving non-potable water and certain contracts involving two or more public agencies are exempt (Government Code § 56133).

1983. This extra-territorial service consumes approximately 15 percent of the District's 10,578 EDU<sup>14</sup>. The District is preparing to extend additional extra-territorial service to a 212 single-family residential development in the City of La Mesa.

The City of Chula Vista has an agreement with the Spring Valley SD to extend sewer service to unincorporated parcels along the City's northern boundary when the City is the most logical service provider—regardless of jurisdictional boundary lines; an agreement for the city's southern boundary is in place with the City of San Diego.<sup>15</sup>

## 1.9 EXTENDING SERVICES

The prospect of providing services to areas beyond an agency's boundary must be carefully examined. The ability to provide services must be evaluated against a potential that extending services could be growth inducing. Urban sprawl and open space issues would come under scrutiny. The agency's sphere of influence, as well as the spheres of neighboring agencies, plus the ability of other agencies to provide similar or superior service would need to be considered. Ultimately, the Local Agency Formation Commission must determine whether adjusting an agency's boundary to permit extension of services would promote orderly development of local government.

### ■ MSR Water service providers—EXTENDING SERVICES

The Padre Dam MWD suggests that LAFCO review significant extra-territorial area—mostly outside of the District's sphere of influence—where property owners have inquired about receiving district water services. The Otay WD reports that the District is able to provide efficient service to the Brown Field Municipal Airport and the Dennery Ranch Development Project within the City of San Diego. Both areas are coterminous with the Otay WD but not within the District's sphere of influence. The Otay WD currently provides water service to Brown Field via a contract with the City of San Diego because the City does not have water infrastructure in the area. *"The City plans to expend significant amounts of money to upgrade and expand their water system facilities to provide appropriate water service,"* and the Otay WD believes that *"... if the Brown Field Municipal Airport were within the jurisdiction of the District, reliable cost effective water service . . . would be provided from the District's existing water system without expansion of capital facilities."*<sup>16</sup> Similarly, the District maintains that efficient service

---

<sup>14</sup> Lemon Grove Sanitation District, *Wastewater Long Range Financial Plan*, January 8, 1999, pg. 4.

<sup>15</sup> The City of Chula Vista reports that its billing system is unable to furnish the number or location of the extra-territorial parcels receiving city sewer services.

<sup>16</sup> Otay Water District RFI A-11, pg. A-44.

could be extended to the Dennery Ranch Project without expansion of district facilities.

■ ■ **MSR Sewer service providers—EXTENDING SERVICES**

The Padre Dam MWD reports that the District could provide efficient sewer service to areas within the boundaries of three sewerage agencies that overlay Padre Dam MWD. The City of Chula Vista remarks that efficient city services could be provided to unincorporated territory east of the City in portions of the Otay Ranch ownership known as the *Village 13* and *Village 14* parcels.

The Village 13 and 14 parcels are not within the sphere of any limited-purpose sewer or water agency. A sphere was adopted for the City of Chula Vista in 1996 that generally excludes the area. At the time, it was reasoned that to include the parcels in the City’s sphere would be premature because it could not be demonstrated how city services could be extended into the area.



◀ **Map B**  
*Villages 13 and 14 are not within the sphere of influence for either the City of Chula Vista or the Spring Valley SD.*

A possible update of the City of Chula Vista sphere of influence to include parcels 13 and 14 would require a simultaneous review of the Otay WD sphere for potable water service. Growth and development conditions have changed since the City of Chula Vista sphere was updated in 1996. Development plans for *Village 13*, also known as the *Resort Parcel*, have proceeded sooner than anticipated and an application to update the City of Chula Vista sphere of influence to permit annexation and extension of city services into the area has been discussed.

Adjacent unincorporated areas have developed under County jurisdiction, however, and it is possible that an application for extension of services to the *Resort Parcel* from the county-dependent Spring Valley SD may also be submitted to LAFCO.<sup>17</sup> The Spring Valley SD sphere of influence, adopted in 1984, does not include the territory surrounding *Villages 13* and *14*. The services and land use development issues will be reviewed by 2006 in combination with sphere updates of the appropriate agencies.

#### **1.10 CONSOLIDATING SERVICES**

If regional service organization or consolidation of local agencies is not practical or desirable, functional consolidations in the form of JPAs or other cooperative agreements may be an alternative for gaining service efficiencies.

##### **■ MSR Water service providers—CONSOLIDATING SERVICES**

The region's water agencies, as members of the San Diego County Water Authority (SDCWA), are eligible to directly purchase wholesale water from SDCWA and to reasonably expect the Authority to provide supplies of water as needed. The SDCWA performs as a regional umbrella agency in overseeing the distribution of potable water, invoking emergency storage quotas, and partnering in treatment facilities. The region's water agencies also maintain agreements between neighboring agencies for emergency interconnections. Three of the region's water agencies—the Helix WD, the Otay WD, and the Padre Dam MWD—are members of a *Shared Resources Group*, an association of seven East County agencies, that collaborates on common issues and maintains an equipment cooperative.

---

<sup>17</sup> Spring Valley Sanitation District, RFI A-12, pg. 3.



**■ MSR Sewer service providers—CONSOLIDATING SERVICES**

Each of the region’s five sewer agencies participates in numerous agreements to cooperate in joint ownership of regional facilities; to provide mutual aid in emergency situations; or to jointly resolve regional wastewater issues. Each of the agencies is a signatory to an agreement with the City of San Diego to discharge wastewater to the City’s Metropolitan Wastewater System (METRO). Agencies may buy, sell or exchange all or part of their contract capacity to participating agencies—subject to the approval of the City of San Diego

▼ **Figure 1.4**

Contract Capacity: METRO Agreement		
Agency	Contract sewer Capacity	Percent of Total METRO Capacity
City of Chula Vista	19.843 mgd	8.268%
Lemon Grove SD	2.873 mgd	1.197%
Otay WD	1.231 mgd	.513%
Padre Dam MWD	6.382 mgd	2.659%
Spring Valley SD	10.978 mgd	4.574%

Source: Regional Wastewater Disposal Agreement revised 3/2/98

An existing agreement between the Otay WD and the Spring Valley SD provides an opportunity to treat Spring Valley SD flows at the Otay WD Ralph W. Chapman Water Recycling Facility (RWCWRF)—if sufficient capacity is available. It is unlikely that the agreement will be invoked, however, as all available capacity at the recycling facility is consumed by current wastewater flows.



## FISCAL ISSUES

---

### 2.0 REVENUE SOURCES

All units of local government—counties, cities, and special districts—are financially autonomous; within the limits of state law, each local government has the ability to craft unique fiscal policy and practices. Each agency is equally empowered to make independent fiscal decisions—however, they are not equally empowered to generate revenues to support their decisions.

- **General-purpose governments**

Cities and counties, as general-purpose governments, are empowered by the California Constitution to impose a variety of taxes and to raise revenues through an assortment of mechanisms. General-purpose governments are authorized to levy transient occupancy, business license, and sales and use taxes to name a few. They may impose fees, charges, benefit assessments, and general and special taxes subject to the voting requirements of Proposition 218. General-purpose governments are also eligible to receive state subventions and to engage in revenue enhancing activities such as franchising public utilities and cable television.

- **Limited-purpose governments**

Limited-purpose agencies—primarily special districts—may impose only the types of taxes, assessments, and fees that have been authorized through legislation. The revenue sources available to each class of special district are specifically defined in approximately 60 different principal or special acts.

Non-enterprise districts that provide services benefiting entire communities, such as fire protection and emergency services, typically receive much of their revenue from the ad valorem property tax that is limited to one percent of the value of the property by Article XIII A of the California Constitution. Only those local agencies that levied property tax rates prior to 1978 may receive a formula-based allocation of the one percent tax revenue; agencies with general obligation debt

approved prior to 1978 may collect additional property tax revenue specifically dedicated to the debt's retirement.<sup>1</sup>

Special districts that are enterprise in nature—that is, financed and operated in a manner similar to private enterprise where the cost of providing goods and services is recovered through sales revenue—impose user fees or service charges to recover the cost of providing services. Generally, enterprise districts do not rely, or only minimally rely, on property tax revenue to fund operating costs.

#### ■ **Restricted and unrestricted revenues**

The range of revenue sources available to local agencies is an important element in accruing funds; however, other factors can influence revenue streams. Many of the revenues available to general-purpose governments are unrestricted and can be diverted to whatever needs are most pressing. In contrast, the relatively few revenue sources available to special districts are generally restricted to specific, inflexible uses.

Notwithstanding limited and restricted categories of revenue, enterprise districts have greater flexibility in meeting fiscal objectives than other agencies because enterprise service fees can be increased with relative ease compared to the special taxes and assessments upon which other service providers rely. Sewer, water, and refuse collection fees are specifically exempt from many of the constraints of Prop 218.<sup>2</sup> At the same time, it is also true that even enterprise fees are subject to restrictions; fees must be reasonably related to the cost of providing services and fee proceeds must be used exclusively to recover the cost of providing services.

#### ■ **MSR enterprise service providers—REVENUE SOURCES**

Each of the region's special districts functions as an enterprise agency; direct water and sewer service billings provide between 70 and 94 percent of the districts' operating revenues. The City of Chula Vista's sewer department also functions as an enterprise activity and—similar to the region's special districts—in FY 2001-02 obtained approximately 83 percent of departmental operating budget revenues from service fees.

In addition to water and sewer billings, each of the region's service providers relies on various additional fees and charges for operating revenue. For example, Padre Dam MWD and Helix WD collect fees from recreational activities; interest income from deposits or

---

<sup>1</sup> The allocation of property tax is not within the scope of this review. San Diego LAFCO's *Funding Fire Protection*, available at [www.sdlafco.org](http://www.sdlafco.org), provides background on how property tax revenue is allocated among local agencies as a result of Prop 13 and its legacy legislation.

<sup>2</sup> California Constitution Article XIID, Sections 6(c).

investments generate between 0.32 percent (Lemon Grove SD) to 8.9 percent (Spring Valley SD) of district operating revenue.

Three of the region’s limited-purpose agencies levied pre-Prop 13 property tax rates and are eligible to receive an increment of the revenue from the one percent property tax. The Otay WD receives a property tax allocation providing approximately one percent of District operating revenue; the Padre Dam MWD receives an allocation equal to approximately 4.7 percent of operating revenue. In each agency, the property tax subvention is used to retire bonded debt. The Helix WD, which also levied a pre-Prop 13 property tax rate, forfeited its allocation of property tax revenue a number of years ago; the District’s increment is surrendered to the County General Fund.

▼ Figure 2.0

Enterprise Revenue: FY 01-02 Projected			
	Total Operating Revenue	Total Enterprise Revenue	Enterprise to Operating Revenue
City of Chula Vista (sewer fund only)	\$23,883,044	\$19,738,231	83%
Helix WD	46,480,189	38,831,780	84%
Lemon Grove SD	3,729,100	3,117,000	84%
Otay WD (water and sewer)	35,849,000	33,614,100	94%
Padre Dam MWD (water and sewer)	35,174,447	24,509,172	70%
Spring Valley SD	11,957,241	8,400,000	70%
Sweetwater Authority	\$30,975,000	\$29,093,000	94%

Source: Budget documents of participating agencies

The City of Chula Vista receives an increment of property tax revenue that constituted approximately 12.3 percent of the City’s General Fund in FY 01-02.<sup>3</sup> While general fund monies can be used to support any city activity, including sewer services, the City reports that sewer operations are not subsidized from the general fund.<sup>4</sup>

<sup>3</sup> City of Chula Vista Adopted Budget FY 2002 and 2003, pg. 15.

<sup>4</sup> City of Chula Vista RFI, A-1, pg. 15.

▼ Figure 2.1

Sources of Operating Revenue: FY 2001-02 Projected

<b>City of Chula Vista (sewer fund)</b>		<b>Padre Dam MWD</b>	
Sewer Service Charges	\$19,738,231	Water Billings	\$15,035,213
Investment Earnings	1,825,420	Sewer Service Charges	9,473,959
Sale of Real Property	10,733	Infrastructure Access Charge	387,332
Sale of Personal Property	110,398	Standby Credits	709,292
Storm Drain Fees	516,404	Energy Billings	1,929,207
Industrial Waste Fees	11,000	CWA/Metro Water Purchase Credits	198,275
Pump Station Fees	112,318	Sewer Processing Fee	1,147,466
Gas Tax Reimbursements	8,313	System Charges	2,770,131
CIP Reimbursements	2,000	Park Fees	1,417,517
Assessments	227	Property Tax Subvention	1,657,399
Collection Charges	208,000	Other Revenues	<u>448,656</u>
Transfers In <sup>5</sup>	<u>1,340,000</u>	TOTAL	\$35,174,447
TOTAL	\$23,883,044		
<b>Helix WD</b>		<b>Spring Valley SD</b>	
Water Billings	\$38,831,780	Sewer Service Charges	\$ 8,400,000
Water Treatment Charge	379,488	Interest	1,066,047
Other Collections	7,133,521	Service Connection/Capacity	200,000
Lake Jennings Recreation	<u>135,400</u>	Proceeds Long Term Debt	450,000
TOTAL	\$46,480,189	Replacement Reserve Decrease	2,844,000
		Expansion Reserve Decrease	110,000
		Fund Balance	<u>-1,112,806</u>
		TOTAL	\$11,957,241
<b>Lemon Grove SD</b>		<b>Otay WD</b>	
Sewer Service Charges	\$ 3,117,000	Water Billings	\$30,235,600
Waste Water Discharge Permits	10,000	Sewer Service Charges	1,603,100
Interest	12,100	Reclaimed Water Sales	1,775,400
Transfer: Encanto Trunk Upgrade Res.	<u>590,000</u>	Standby Charges (MWD)	880,600
TOTAL	\$ 3,729,100	Meter Fees	313,000
		Property Tax Subvention	345,000
<b>Sweetwater Authority</b>		Non-Operating Income	<u>696,300</u>
Water Billings	\$29,093,000	TOTAL	\$35,849,000
Interest	1,023,400		
Water Service & Miscellaneous	<u>858,600</u>		
TOTAL	\$30,975,000		

Source: Budget documents of participating agencies

<sup>5</sup> Transfer from Trunk Sewer Capital Reserve: city correspondence, June 6,2003

## 2.1 RATES AND FEES

Enterprise agencies may impose fees or rates for services, provided they reasonably relate to the cost of producing and delivering services. Courts have supported the relationship between fees and the cost of service delivery by declaring, "...a fee which exceeds the reasonable cost of service is a disguised tax."<sup>6</sup> Accordingly, rates and fees must be *responsibly* set to ensure that revenue will be sufficient to compensate for the cost of providing services, pay down accumulated debt, and maintain appropriate reserve levels. If alternative sources, such as developer fees or capacity fees are not available, enterprise revenue must also pay for system improvement and expansion projects.

### ■ Variance in rates

Retail rate setting is a complex calculus of revenue and expense that requires jurisdictions to accurately predict the fixed and variable costs of providing services and translate costs into a rate structure. Rates should spread the fiscal burden equitably over the jurisdiction's constituency. It is common for water agencies to impose graduated rates that incrementally increase as consumption increases. This progressive structure encourages conservation by rewarding low consumption of water.

The intuitive notion that agencies with low rates are more efficient than counterparts with higher rates must be critically examined. There are multiple reasons why the cost of providing services—and by extension, rate levels—may vary across agencies. Agencies that are built-out may need only to maintain the integrity of current infrastructure and service levels; other agencies in various stages of growth may need to plan for expansion as well as maintain current systems. Topography, geology, geopolitical boundaries, age of infrastructure, capacity of storage and treatment facilities—the *weather*—will all impact the cost of providing services.

Water agencies are particularly sensitive to the cost of buying imported water. SDCWA rates are not subject to regulation by the California Public Utilities Commission or by any other local, state or federal agency. The Authority fixes its water rate at the price charged by the Metropolitan Water District of Southern California (MWD), plus an additional component as established by the Board, resulting in an automatic pass-through of MWD's charge to the Water Authority's

▼ Figure 2.2

Factors Affecting Water Rates
<ul style="list-style-type: none"> <li>■ Source of supply</li> <li>■ Age of system</li> <li>■ Distance to import pipelines</li> <li>■ Level of treatment</li> <li>■ Elevation and pumping requirements</li> <li>■ Ability to interconnect with surrounding agencies</li> <li>■ Service area mix of commercial, industrial, single family, etc.</li> <li>■ Density and lot sizes</li> <li>■ Philosophy of rate-setting methodology</li> <li>■ Capital funding—<i>pay-as-you-go</i> vs. debt financing</li> <li>■ Funds available to stabilize or subsidize rates</li> <li>■ Funding of repairs, replacements and depreciation</li> <li>■ Recycling supplies and conservation philosophy</li> <li>■ Recovery of administrative services by municipalities</li> <li>■ Level of grant funding or other funding</li> <li>■ Funding of growth through developers or water rates</li> <li>■ Level of taxes collected by agency</li> <li>■ Policy regarding reserves</li> <li>■ Public input during rate making</li> </ul>

<sup>6</sup> *Shasta County v. Trinity County* (1980) 106 Cal. App.3d 30; 165 Cal. Rptr.18.

member agencies.<sup>7</sup> A new rate structure, effective January 1, 2003, substantially increased the percentage of water revenues received as fixed charges. Local water agencies situated in areas with obliging water tables, or agencies that had foresight to construct storage facilities before urbanization may be able to offset SDCWA supply costs with proprietary sources.

The level of wastewater recycling in a community may be reflected in the consumer rates of water and sewer agencies. Recycled wastewater typically requires large capital expenditures and may actually result in somewhat higher consumer costs in the short run. Finally, access to capital and the fiduciary position of agency officials can impact the need to generate income from enterprise fees. Fees and rates in jurisdictions with weightier impacts from these and other factors are usually structured to carry a heavier burden.

Agencies have diverse philosophies about approaching constituents with rate increases. Some agencies follow the theory that increasing rates slowly, but steadily, over time is preferable—perhaps more palatable to ratepayers—than infrequent, but substantial rate hikes. Agencies also adopt various positions about maintaining specific rate stabilization reserves or subsidizing rates from general reserves. Ultimately, maintenance of rates and fees mirror a combination of fiscal and political goals specific to each agency.

Notwithstanding any of the above factors that may be used to justify variances in rates—low and stable rates may be indication of careful planning and appropriate cost controls that deserve recognition. Estimates of average total consumer costs are presented in Appendix F.

▼ **Figure 2.3**

**NOTE:** Base charges do not represent total costs to ratepayers. Base charges are augmented with commodity charges; additionally, and some agencies may impose surcharges for energy costs. Appendix F provides estimates of average total monthly costs to consumers.

■ **MSR water service providers—RATES AND FEES**

The region’s water service providers make rate decisions by using computerized formula-driven models that project costs over time and calculate the corresponding income that must be recovered. Several

2001 Residential Base Charges					
	Helix WD	Otay WD	Padre Dam MWD		Sweetwater Authority
			Western	Eastern	
<b>2 month base charge for 5/8"</b>	\$23.65	\$20.50	\$19.00	\$19.00	\$22.50

Source: San Diego County Water Authority 2001 Rate Survey

agencies collect contributions to infrastructure replacement funds through enterprise fees. Each agency calculates a base charge to cover fixed costs. Base charges vary among the agencies—from lowest to highest—approximately 24 percent, however, it is

acknowledged that fixed costs among the agencies vary. For example, the district with the lowest base charge, the Padre Dam MWD, has elevations of 455 to 2,286 feet and maintains 15 separate

<sup>7</sup> San Diego County Water Authority 2002 Annual Report, pg. 40.



pump stations located in eight pumping zones. Energy costs, which vary from zone to zone, are not reflected in the District’s base charge—but are passed through to individual zone customers as a pumping surcharge. In contrast, the Helix WD does not assign a pumping surcharge to specific customers, choosing instead to spread energy costs equally across all ratepayers.

The Sweetwater Authority charges residential, commercial, and agricultural class customers identical base rates; the Padre Dam MWD has lower rates for agricultural customers; the Otay WD imposes a higher base charge on commercial and agricultural connections than on residential connections; and the decidedly urban Helix WD, which does not have an agricultural classification, has identical base rates for all connections.

Each agency has adopted a rate schedule wherein residential commodity rates increase as consumption of water increases. Commodity charges for other categories—multi-family, commercial-industrial, and agricultural—are generally flat rather than tiered. Agencies with agricultural users clarify that SDCWA and MWD discounts are passed on to agricultural customers through depressed agricultural rates.

Comparisons of the rate structures among these four water agencies—or for that matter, between any pairing of water agencies—are problematic. Attempts to draw meaningful conclusions are difficult because each agency adopts a rate schedule to reflect local fiscal, conservation, and political goals that may not be replicated in other agencies. For example, the Sweetwater Authority has adopted seven residential rate increments of hundred cubic feet (HCF), beginning with zero-to-five HCF and culminating with rates for 51-and-above HCF. This progressive schedule repeatedly offers customer incentives to conserve by penalizing continued consumption. Within approximately the same range of consumption, the Helix WD has only three rate increments.

Assumptions about efficiency based on comparison of rates—say the highest or lowest rates of these two agencies—disregard other goals and constraints of each agency that the rate structure is meant to

▼ **Figure 2.4**

‡ The eastern service area of the Padre Dam MWD is not displayed on Figure 2.4 because rates in this area are expressed in units of 100 gallons—not the hundred cubic feet (HCF) measurement used elsewhere in the region.

Incremental HCF Rate Increases				
	Helix WD	Otay WD	Padre Dam MWD Eastern ‡	Sweetwater Authority
<b>Residential Rate per HCF</b>				
0-5		\$1.01		\$1.02
0-10	\$1.47			\$1.53
6-10				
0-20			\$1.72	\$2.26
11-20				
6-25		\$1.67		
11-30	\$1.77			\$2.36
21-30				
26-35		\$1.81		\$2.53
31-40				
36-50		\$2.13		\$2.59
41-50				
21-107			\$1.86	
0-150				
151-800				
31and above	\$2.05			\$2.90
51and above		\$2.65		
108 and above			\$2.04	

Source: San Diego County Water Authority 2001 Rate Survey

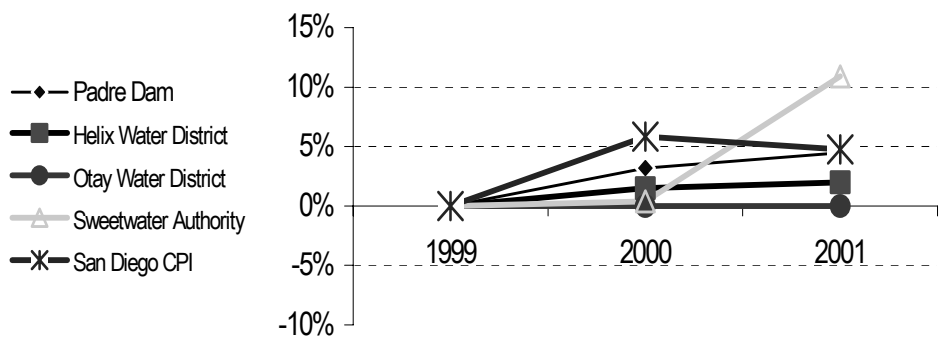
impose. To further complicate comparisons, many enterprise agencies use rate stabilization funds to smooth out temporary cost increases and mask true consumer costs.

In general, rates should be examined within the context of physical and political factors; nonetheless, isolated distinctions of rate components are evident. The range across rates in the uppermost tier is 41 percent (i.e., the \$2.90 Sweetwater Authority rate is 41 percent higher than the \$2.04 Padre Dam MWD rate). Perhaps more relevant, progressive incline—the point at which maximum rates are invoked varies among the agencies. The Otay WD and the Sweetwater Authority have multiple increments of rates that offer rewards for low consumption. Although these two agencies also impose the highest rates for continued consumption, maximum rates for both agencies are not reached until consumption exceeds 51 HCF. In contrast, the Helix WD imposes a lower maximum rate, but applies it at 31 HCF. Helix WD consumers are exposed to incentives to conserve sooner on the consumption incline; however, incentives decrease as consumption continues upward. In the western service area of the Padre Dam MWD, the maximum rate is not imposed until consumption exceeds 108 HCF.

All of the agencies report that internal rate variances occur only under authorization of policies that permit the creation of zones where geographically specific costs can be recouped from the customers who specifically receive the benefits.

▼ Figure 2.5

Water Rate Increases and San Diego County CPI



Source: San Diego Consumer Price Index, U.S. Dept. of Statistics, Bureau of Statistics, 1999, 2000, 2001.

Rate increases reported by the Helix WD, Otay WD, and Padre Dam MWD for the study period—1999 to 2001—were below San Diego

County Consumer Price Index (CPI) increases for the same period. Indeed, a stated objective of the Padre Dam MWD is to avoid rate increases that exceed the San Diego County CPI.

The Sweetwater Authority implemented two increases in 2001, four percent in January 2001 and 6.9 percent in September 2001, which brought it approximately five points above the CPI. The Sweetwater Authority reports that increases were the direct effect of: increased SDCWA rates; increased energy costs; increased costs for compliance with the Safe Drinking Water Act; increased infrastructure investment; inflation; increased environmental compliance costs and; the establishment of a rate stabilizing reserve fund. Many of these costs would impact other water agencies of course, but as discussed above, there are multiple factors, internal and external, which influence how agencies must adjust their rates. Since the Sweetwater Authority relies on local water supplies more than six times over other MSR water agencies, drought is undoubtedly a factor to which the Authority is sensitive.

**■ MSR sewer service providers—RATES AND FEES**

The Otay WD and Padre Dam MWD provide wastewater collection and treatment services within geographically restricted areas within the districts. The Lemon Grove SD substantially serves the City of Lemon Grove; the Spring Valley SD provides sewer services to unincorporated eastern San Diego County, including areas within the Otay WD; and the City of Chula Vista is responsible for providing wastewater services within the boundaries of the City.

▼ **Figure 2.6**

Structure of Sewer Rates				
	Single-family residential	Multi-family residential	Commercial/Industrial	Rate increases 1999-2001
<b>City of Chula Vista</b>	Flat rate	Water consumption	Type of facility	6.0 % 6.0 % 6.0 %
<b>Lemon Grove SD</b>	Water consumption, avg. suspended solids	Water consumption, avg. suspended solids	Water consumption, avg. suspended solids	21.4 % 17.3% 7.6%
<b>Otay WD</b>	Flat rate	Water consumption, avg. suspended solids	Water consumption, avg. suspended solids	0.0% 0.0% 0.0%
<b>Padre Dam MWD</b>	Water consumption	Water consumption, avg. suspended solids	Water consumption, avg. suspended solids	0.0% 0.0% 6.9%
<b>Spring Valley SD</b>	Flat rate	Flat rate	Flat rate	0.0% 0.0% 0.0%

The five agencies are party to the *Regional Wastewater Disposal Agreement* enacted between the City of San Diego and the agencies discharging wastewater into the Metropolitan Sewerage System (METRO). The agreement sets the policies, procedures, and charges with which each agency must comply. The agreement also establishes the capacities allocated to each of the participating agencies, expressed in average annual daily flow in millions of gallons per day.

The region's wastewater agencies are billed for wastewater treatment based on quantity (*water volume*) and quality (*chemical oxygen demand* and *total suspended solids*) of the effluent discharged into METRO. Individual agencies develop rate schedules that pass METRO costs on to end consumers.

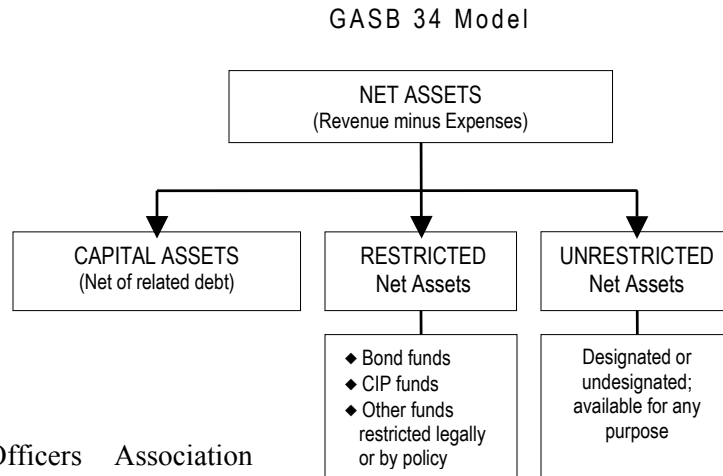
The per-gallon capacity cost in METRO has risen steadily over the past few years as a direct result of a Federal lawsuit settlement, which requires increased treatment of wastewater prior to discharge into the ocean outfall. The City of San Diego is building new facilities to comply with the Federal requirements and is responsible for funding all improvements, however, city costs are passed to all member agencies in METRO fees. The need for members to acquire additional METRO capacity in coming years could have a significant fiscal impact on the region's wastewater agencies. The City of Chula Vista, which reports that it has purchased extra METRO capacity at prior years' value as a forward thinking fiscal strategy, may have some relief from rising costs; however, during the three year reporting period, the City of Chula Vista's sewer rates increased 18 percent. During the same period, Otay WD and the Spring Valley SD rates remained stable; rates within the Padre Dam MWD increased 6.9 percent; rates within the Lemon Grove SD increased 46.3%

## 2.2 POLICY FOR RESERVES

The term "*reserves*" is generally a colloquialism for retained earnings. Reserves, as used in this MSR discussion, refer to the unrestricted net assets of the region's enterprise agencies and the enterprise function of the City of Chula Vista's sewer department.

The Governmental Accounting Standards Board (GASB) sets "*generally accepted accounting principles*" for state and local governments. In June 1999, GASB adopted a revised financial reporting model for local government—widely referred to as *GASB 34*—that fundamentally altered the way local governments are to report financial information. Among other changes of GASB 34, the difference between revenue and expenditures—formerly described by non-enterprise agencies as *fund balance* and by enterprise agencies as fund equity—is now reported as *net assets*. In the enterprise agency portfolio, net assets are segregated into *capital assets*, *restricted net asset*, and *unrestricted net assets*.

Restricted net assets are sometimes legally constrained to a specific purpose and cannot be shifted to other uses. Unrestricted net assets, on the other hand, are available for whatever purposes are elected by decision-makers.



▲ Figure 2.7

▪ **Standards for reserves**

The Government Finance Officers Association (GFOA) advises that significant levels of reserves should not of itself be interpreted as proof of overall economic health. It is possible, for example, for a local agency to increase a reserve fund by issuing long-term debt, just as individuals can increase their checkbook balance by depositing proceeds of a loan. Not surprisingly, neither borrower’s overall economic position would be improved.<sup>8</sup> Of course, the rating agencies that evaluate a government’s creditworthiness are likely to favor high reserve levels while opposing pressures—often unions and taxpayer groups—may view high levels of reserves as indication of irrational squirreling-away of taxpayers’ money.

Apparently there are no universally accepted standards upon which decision-makers may rely to determine what level of reserves to maintain. The California Constitution and the State statutes that empower local governments contain provisions for fiscal management; remarkably, parameters for managing reserves are not included. Government Code Section 53600 et seq., covers objectives for safeguarding principal, meeting liquidity needs, and achieving a return on investment—but no counsel is given for accumulating or using reserves. Moreover, the State Controller and county auditors, who annually collect local agency reports that contain information about reserves, do not assess the economic well being of individual agencies based on reported reserve levels.

▪ **Managing reserves in the absence of standards**

While there is no accepted model to determine appropriate levels of reserve funds—there is a widely accepted belief that decisions concerning reserves should be shaped by policy guidelines. Policy serves a dual purpose: to help decision-makers discriminate among many fiscal choices and to illuminate their choices under the light of public access and understanding. It follows that policy guidelines—scrupulously

<sup>8</sup> Stephen J. Gauthier, *Fund Balance and Net Assets*, Government Finance Officers Association, 2002, pg. 20.

followed—could minimize criticisms fueled by ignorance of how reserve decisions are made.

The California Special Districts Association, the League of California Cities, and the Little Hoover Commission among others, emphasize that lack of standardized protocols should be remedied. Some observers are more cautious than others, reasoning that a *one-size-fits-all* policy would ill serve the needs of widely diverse local agencies. It is argued that many of the same reasons that prevent local agencies from adopting uniform rates and fees apply equally to reserve levels. The National Advisory Council on State and Local Budgeting recommends that governments develop policies to guide the creation, maintenance, and use of reserve funds. In similar spirit, the GFOA recommends that local governments adopt formal policy regarding levels of reserves that should be maintained. Such policy would provide a timeframe and specific plans for increasing or decreasing reserve levels if reserve fund balances were inconsistent with the adopted policy.<sup>9</sup>

- **Rate stabilization reserves**

Unrestricted reserves may be sequestered into numerous categories of funds intended for numerous uses. So-called “*rate stabilization*” funds are created to insulate ratepayers from increasing costs or temporary cost spikes by lowering the effective commodity rate. Effective rates can be moderated in several ways; agencies can depress rising rates; ratepayers may be issued a credit on their billings; or ratepayers can receive direct cash refunds. Each of these measures requires different bookkeeping actions and costs for service agencies to implement—but each has the ultimate consequence of lowering the effective rate for the commodity purchased by consumers.

Stabilizing consumer rates with reserves is common among enterprise agencies; however, not all agencies maintain separate unique funds for this function. Indeed, it is common to establish designated reserve funds with hyphenated titles, i.e., “*Rate Stabilization-Operating Reserve*”. Monies deposited into these accounts are fungible to the extent that they can be withdrawn to specifically moderate effective consumer rates or to offset other operating shortfalls. Various named categories of unrestricted net assets—such as “*Rate Stabilization Fund*”, “*Operation Reserve Fund*”, or even, “*Unallocated Fund Balance*”—all represent monies available for discretionary purposes. As designated, but not legally restricted, decision makers have flexibility over administration of these funds. Policy and perhaps bookkeeping preferences determine whether rate stabilization actions will be recorded as a withdrawal from a general operating fund, or a uniquely named fund.

---

<sup>9</sup> *Best Practices in Public Budgeting*, Government Finance Officers Association pg. 1.

## ■ MSR Water service providers—POLICY FOR RESERVES

The Helix WD, Otay WD, and Padre Dam MWD have established policies for retention of reserves. The Sweetwater Authority maintains reserves by Board action. Helix WD, Otay WD, and Padre Dam MWD policies generally address minimum fund levels; Padre Dam MWD policy also delineates maximum levels. Criteria for fund withdrawals or maintenance of reserves over specified levels are vague.

Helix WD policy targets an operating reserve at a minimum 10 percent of annual gross revenue; a maximum level is not identified. The 10 percent minimum is established each year on a rolling five-year basis and water rates are set that result in a cash balance in year five equal to approximately 10 percent of water billings. The District maintains a number of designated special purpose reserve funds including rate stabilization and capital reserves. The FY 01-02 ratio of rate stabilization funds to annual gross revenue was approximately 8 percent. Decisions concerning the level of these funds are made annually as part of the preliminary budget process.

The Otay WD has adopted financial policies that specifically reference a rate stabilization fund. Fund contributions accrue from excess revenue at the close of the fiscal year. Goals established by Policy No. 25 require the Board of Directors to annually approve a rolling five-year projection that depletes the fund in five years. The policy further states: *“In the event that the District has collected revenues in excess of anticipated rate increases, the Board shall be presented with options to determine uses for the fund balance.”*<sup>10</sup> A maximum fund level is not identified by policy; however, the Board’s practice has been to budget five percent of operating budget revenues.

Between August 1997 and June 2001, the Otay WD made five rebates to District ratepayers from rate stabilization and general funds. The first two rebates, which totaled approximately \$3.1 million, were a pass through of SDCWA and MWD refunds for over billings. The refunds were placed in the Otay WD interest-drawing rate stabilization fund until rebated to District customers. A third rebate in August 2000 of \$1.4 million was approved by the Board to pass through another SDCWA refund plus return abnormally high revenues received from high water sales during unseasonably warm weather. These revenues were also retained in the rate stabilization fund. The final two rebates—a refund to residential customers for \$5 million and a subsequent rebate to commercial customers of \$3.5 million—came from rate stabilization and general operating funds.

---

<sup>10</sup> Otay Water District, Code of Ordinances, Policy No. 25 *District Financial Policies*, pg. 7.

Combined, the two final rebates reduced effective water rates in FY 01-02 between 12 and 20 percent.<sup>11</sup>

The Board’s actions, which depleted the rate stabilization fund, were inconsistent with the Policy No. 25 goal of maintaining a five-year rolling-balance. Be that as it may, because Policy No. 25 also allows the Board to entertain “...options to determine uses for the fund balance...in excess of anticipated rate increases,” the Board has discretion over allocation of excess rate stabilization reserves. Total District reserves were reduced 8.3 percent by the Board’s actions, leaving \$13 million in unallocated reserves to cover unexpected cost increases.<sup>12</sup>

The Padre Dam MWD has adopted a reserve policy for its unrestricted fund balances. Designated reserves include capital replacement and rate stabilization funds for five operations: retail water, wholesale water, sewer, water recycling, and park services. Consumer rates for sewer and water include a component that accrues to reserve funds.

Guidelines for rate stabilization funds factor 12 months of debt interest plus, a minimum six months and maximum 12 months operating expense, to produce targeted minimum and maximum fund levels. The FY 01-02 targeted minimum and maximum for the combined Rate Stabilization and Capital Replace funds was \$20.1 million and \$31.6 million respectively. The actual combined fund balance was \$19.5—approximately three percent below targeted minimum.

▼ Figure 2.8

FY 01-02 RESTRICTED AND UNRESTRICTED RESERVES

	Unrestricted Reserves			Total Reserves	Total Revenue	Unrestricted Reserves to Total Revenue
	Unallocated Reserves	Operating/Rate Stabilization Reserves	Restricted Reserves			
City of Chula Vista	\$24,204,001	\$ 0	\$16,746,409	\$ 40,950,410	\$23,883,044	101.3%
Helix WD	18,579,876	3,800,362	10,698,843	33,079,081	46,480,189	48.2%
Lemon Grove SD	n/a	1,133,450	1,830,150	2,963,600	3,729,100	30.4%
Otay WD	13,317,486	0	88,042,186	101,359,672	35,849,000	37.1%
Padre Dam MWD	n/a	16,756,558	24,427,941	41,184,499	35,174,447	47.6%
Spring Valley SD	771,826	14,082,001	15,780,732	30,634,559	10,893,917	136.3%
Sweetwater Authority	\$ 365,000	\$ 1,116,300	\$ 7,718,707	\$ 9,200,007	\$30,975,000	4.8%

<sup>11</sup> Otay WD RFI C-10, pg. C-29.

<sup>12</sup> San Diego LAFCO MSR Working Group Agenda, Feb. 3, 2003, Attachment 4a, pg. 1.



The Sweetwater Authority maintains operation and maintenance reserves to comply with the requirements of debt instruments. The maintenance and operation reserve fund equals budgeted maintenance and operations costs for one month, including the unfunded liability of employees.

Designated reserves are established by Board action. A rate stabilization fund was created in FY1992-93 with refunds from MWD and SDCWA; annual refunds accrued in the fund through FY 1997-98. In FY 2000-01 and FY 2001-02, the Board approved use of approximately two-thirds of a \$2.5 million fund balance to offset the increase cost of purchased water. All monies remaining after setting aside funds for the Maintenance and Operations Fund and Board approved designated reserves are retained as an unallocated fund balance.

#### ■ MSR Sewer service providers—POLICY FOR RESERVES

The City of Chula Vista has no formal policy requiring minimum or maximum reserve levels for special funds “*The informal practice followed is to attempt to accumulate and maintain an operating reserve level sufficient to cover several months of normal operating expense.*”<sup>13</sup> The operating reserve serves as a rate stabilization fund. The City maintains a separate reserve fund for infrastructure replacement. Unallocated general reserves in FY 01-02 equaled 101.3 percent of the total department revenue.<sup>14</sup>

The Lemon Grove SD completed a long-range financial plan in 1999, which recommends that the District maintain rate stabilization reserves equal to 20 percent of operating and maintenance expenditures and operating reserves equal to 12.5 percent. The District bills through the property tax rolls and cash flow is a potential concern; accordingly, the financial plan concludes that a combination of the recommended rate stabilization reserve and operating reserve funds should provide four months of working capital. The District maintains a single designated fund for both operating reserves and rate stabilization reserves; the fund balance for FY 01-02 equaled approximately 28.7 percent of operating and maintenance expenditures—approximately 12 percent below the minimum prescribed in the District’s 1999 financial plan.

The Spring Valley SD follows Board of Supervisor’s Policy I-99 regarding expansion reserves and replacement reserves. Policy I-99 requires that existing users provide funds for future replacement or rehabilitation of all system facilities through annual sewer charges or

---

<sup>13</sup> City of Chula Vista RFI, C-7 pg. 17.

<sup>14</sup> City of Chula Vista, letter from Director of Public Works, October 25, 2002.

the district's replacement reserve account. Annual contributions to the replacement reserve fund are based on the uniform annual payment required to fully fund the anticipated major replacements in the five-year Capital Improvement Program. At a minimum the replacement reserve balance shall: (a) provide for all emergency replacements that can reasonably be anticipated; (b) provide for funding of the planned Replacement Program; and (c) provide for funding 50 percent of the annual operating budget.

The District does not maintain a specific fund for rate stabilization—preferring to rely upon an undesignated fund balance and the operating budget component of the replacement reserve to meet cost increases.

### **2.3 LEGAL COSTS**

It is essential that local agencies rely on the advice of general counsel in such areas as compliance with the Brown Act or the structure of contracts and ordinances. The decision to maintain in-house general counsel or retain outside legal representation is, for some agencies, a factor of size and the degree of legal advice required. Even large cities and counties with entire legal divisions will retain outside firms for specific types of litigation and it is not unusual for a local agency to seek the advice of several law firms.

The legal requirements, and by correlation, legal expense of local agencies can be as infinitely varied as the rate structures adopted by individual agencies, which reflect local conditions. As discussed in Chapter One, conclusions drawn from a comparison across agencies can be speculative because of the highly individualistic characters of local agencies. It follows that assumptions about collectively appropriate levels of legal activity and expense may not be valid.

Reviewing anomalies within intra-agency legal activity may lead to more compelling conclusions regarding legal expense. Of course spikes in legal activity may only be reflections of rational responses to extraordinary circumstances and justification for variances in patterns of legal expense should be considered.

#### **■ MSR water and sewer service providers—LEGAL COSTS**

The Helix WD and Padre Dam MWD report legal costs over three years that are reasonably consistent.

The three MSR organizations that exclusively provide sewer service — the City of Chula Vista sewer department, the Lemon Grove SD, and the Spring Valley SD—report remarkably low costs for legal services. These three sewerage organizations are dependent to larger bodies and it is difficult to ascertain whether legal services supplied by County Counsel, in the case of the Spring Valley SD, or City Attorneys for the City of Chula Vista sewer department and the Lemon Grove SD,

are duly recorded as sewer service expense. If reported costs do include overhead components for legal services, these agencies have average annual legal costs ranging between \$90 and \$1,800.

Three-Year Record of Legal Expense				
	Legal Costs	Settlement Awards	Claims: Construction	Claims: Employee
<b>City of Chula Vista</b>				
1999-2000	\$ 1,030	0	\$ 14,839	0
2000-2001	(over 3-yr)	0	(over 3-yr)	0
2001-2002		0		0
<b>Lemon Grove SD</b>				
1999-2000	275	0	6,556	0
2000-2001	3,330	0	3,180	0
2001-2002	1,775	0	2,430	0
<b>Spring Valley SD</b>				
1999-2000	150	0	0	0
2000-2001	75	0	0	0
2001-2002	38	0	0	0
<b>Otay WD</b>				
1999-2000	604,139	0	0	1 confidential
2000-2001	1,435,316	0	86,873	0
2001-2002	1,125,901	(3,251,000)	0	0
<b>Padre Dam MWD</b>				
1999-2000	212,354	0	0	0
2000-2001	139,594	0	0	0
2001-2002	152,625	0	0	0
<b>Helix WD</b>				
1999-2000	142,122	0	619	0
2000-2001	192,901	0	76,491	0
2001-2002	125,889	0	0	0
<b>Sweetwater Authority</b>				
1998-1999	139,912	0	0	0
1999-2000	602,529	0	87,000	0
2000-2001	\$ 186,295	0	\$ 0	0

◀ Figure 2.9

The Sweetwater Authority experienced inconsistently high legal cost in FY 1999-2000. The Authority explains that during this period, the organization was engaged in a construction lawsuit for \$1.7 million. The case settled for \$87,000 in favor of the Authority—a cost reduction of \$613,000—however, legal fees amounted to approximately \$450,000.

Legal costs for the Otay WD more than doubled between FY 1999-2000 and FY 2000-01 and remained above \$1million in 2001-02. The level of

activity has been discussed in press reports and public dialogues and factored into a lawsuit against the District—now dismissed—which claimed that the District made payment for legal work performed before the Board of Directors had approved a contract with Burke, Williams & Sorensen, LLP.<sup>15</sup>

The District acknowledges spikes in its legal activities, but indicates that stabilization of atypical circumstances within the organization should diminish legal costs. The District also explains that rapid growth and large capital improvement projects justify the district's legal budget. It should be noted that over several years, more than \$1 million in legal expense was expended for construction litigation; however, a settlement for \$3.2 million in favor of the District more than offset the legal cost.

A summary of events, which have impacted the District's legal expense, follows: In January 2001, the District replaced in-house general counsel with two outside law firms. Otay WD was the only water service district—perhaps the only special district of any type—in San Diego County with in-house general counsel. At roughly the same time, three new directors were installed and the newly configured Board took an active role in managing the District. *“The new Board was extremely active in reviewing the operations of the District and took aggressive action to restructure and effectuate reductions in the District's work force.”*<sup>16</sup> Weekly meetings between counsel and the Board President ensued and counsel conducted a complete audit of the District's legal affairs, personnel policies, procedures, and files.<sup>17</sup> During this same time period the District's employees organized into a union shop and the District negotiated a memorandum of understanding with the umbrella bargaining unit. All the foregoing activity involved atypical legal expense.

Increased legal fees also resulted from the efforts of counsel to remedy a violation of the Brown Act by board members. More legal costs were incurred when it became apparent that a member of the Board did not live within the boundaries of the District. This matter was resolved in the summer of 2001, when the position was declared vacant and the Board appointed a new member to the position. Finally, in March of 2002, a board member allegedly began harassing Otay WD staff and other board members. The matter was resolved through litigation, again at great cost to the Otay WD.

There is pending litigation, which is legacy to the activities described above and it is reasonable to anticipate that attorney fees and/or settlement costs may continue to inflate the District's legal costs until all issues are resolved.

---

<sup>15</sup> On July 25, 2003 the Superior Court granted a motion to dismiss to the defendants Jaime Bonilla, et al.

<sup>16</sup> Staff Report to Board of Directors, Otay Water District, November 7, 2001 pg. 5.

<sup>17</sup> Ibid.



## ADMINISTRATION, MANAGEMENT, AND OPERATIONS

---

### 3.0 ORGANIZATIONAL STRUCTURE

The public relies on local agencies to function in a manner that will produce efficient public services. The ability of local agencies to meet the public's expectations depends, in part, on the capacity of agencies' administrative, management, and operational systems to meet demands. Consistent with a *form-follows-function* model, the internal organization of local agencies must be structured to produce optimum efficiencies.

- **Roles**

Elected officials are responsible for shaping the missions of local agencies and ensuring that missions are translated into actions. The authority of boards of supervisors, city councils, and district boards of directors does not usually extend to developing actual programs or supervising staff; responsibility for this activity falls to chief administrative officers, city managers, and general managers. Legislation such as the Ralph M. Brown Act and the Meyer-Milias-Brown Act also govern the scope of administrative involvement permitted to elected officials. In the real world of practical local government, however, executive staff often put forward policy proposals for their governing bodies to adopt and elected officials sometimes involve themselves in staff level issues in an eagerness to implement policies. Nevertheless, understanding and respecting the distinct roles that officials and staff perform is essential—however difficult.

To help local officials distinguish their respective roles, the Legislature has amended several special district principal acts to include language defining the elected official-employee relationship: *“The board of trustees shall provide for the faithful implementation of those policies which is the responsibility of the employees of the district.”*<sup>1</sup>

The incidence of wrongdoing in this area is apparently of such significance that the Senate Local Government Committee held an Interim Hearing: *“Integrity and Accountability in Special District Governance”* on November 24, 2003 to consider whether the Legislature should extend the admonition concerning elected official-employee roles

---

<sup>1</sup> Health & Safety § 9020; Health & Safety § 2020; Public Resources § 5784.

to other types of special districts. The Interim Hearing also examined the practicalities of what occurs when a district’s general manager believes that a board member has violated district policies or State Law and considered the ability of employees to confront elected or appointed board members with perceived misconduct. Remedies, which may result from these hearing, could be mild or sweeping—but will unquestionably focus on the Legislature inserting itself in local government affairs because local government may not be policing itself.

#### ■ MSR agencies—ORGANIZATIONAL STRUCTURE

The Southern San Diego County Water and Sewer Service MSR looked at two areas of elected official-employee interaction: (1) the existence of policies, rules, and procedures regulating communication between these two groups; and (2) the level to which elected officials are involved in administrative, management, and personnel matters.

The Charter for the City of Chula Vista prohibits the involvement of elected officials in administrative matters of the City. Section 305 of the City Charter succinctly states that no member of the Council shall directly or indirectly, by suggestion or otherwise, attempt to unduly influence the City Manger or other officer in performance of their duties. The Mayor and members of the Council are individually and collectively prohibited from performing administrative functions. Except for the purpose of inquiry, the Council must deal only with the City Manger. The Charter establishes a policing mechanism for addressing misconduct: *“A violation of the provisions of this section by any member of the Council shall constitute misconduct for which the offending member may be removed from office by the Council.”*

The Helix WD has developed a *Policies and Procedures Manual* that outlines details for administrative, operation, human resource, and fiscal activities. The Board of Directors limits its role to reviewing and modifying the *Policies and Procedures Manual* and looks to management for daily implementation. The Board hires the General Manager, General Counsel, and Board Secretary as its only direct personnel activity. No mechanism to enforce policy provisions or resolve board misconduct was disclosed.

The Helix WD has no formal policy regulating communication between elected officials and employees; however, one of the District’s affirmations from its value statement addresses open communication. *“We value two-way communication that is timely, open, and honest. We support an environment where people express ideas, listen with respect, and provide and receive constructive feedback.”* This value guides the team of employees and elected officials and accordingly, elected officials are free to communicate with employees on matters of interest to them.

The Lemon Grove Sanitation District operates with the City of Lemon Grove City Council as the District Board of Directors and the City Manager is the de facto District General Manager. The District does not maintain separate staff, policies, or procedures. A description of the City's internal organization is published on the City web site; however, it is unclear whether the City/District has adopted policies to institutionalize the recital.

*The City of Lemon Grove has a "Council-Manager" form of government. The City Council determines policy on issues facing the community and gives direction to City staff. The City Manager implements the policies and program of the Council, and oversees all activities of the staff. The City Council has the ultimate political and legal responsibility for the conduct of local government and the welfare of the entire community.<sup>2</sup>*

No mechanism to enforce policy provisions, if present, or resolve board misconduct was identified.

The Otay WD has an adopted *Code of Ordinances*, which regulates involvement of elected officials with District personnel. The Board of Directors is limited to working through the General Manager to obtain information necessary and appropriate to assist in Board deliberations.

*All powers of the District shall be exercised and performed by the Board as a body. Individual Board members shall have no power to act for the District or the Board, or to direct the staff of the District. Individual Board members shall not act independently to direct Staff in the performance of their duties, or to provide or compile data, information or reports.<sup>3</sup>*

Although Otay WD ordinances seek to regulate behavior, past activities of individual Board members have been very controversial—and widely publicized. Part of the District's atypical legal expense in recent years has been connected with legal actions against board members who violated District policy and micro-managed personnel. Other legal expenses resulted from Brown Act violations—again related to the inappropriate actions of board members.

The District reports that violations have been halted, micro-management on the part of Board members has ceased, and the

---

<sup>2</sup> [www.ci.lemon-grove.ca.us/clg/cityhall/council/council.asp](http://www.ci.lemon-grove.ca.us/clg/cityhall/council/council.asp)

<sup>3</sup> Otay Water District Code of Ordinances, 1.01 B, D.



Board is back-on- track in guiding the District exclusively through policy. Nevertheless, the period of incongruent behavior, which was very damaging to perceptions of the District's integrity as a public institution, has had lasting affects. This type of behavior on the part of public agencies is the focus of the Senate Local Government Committee's November Interim Hearing on "*Integrity and Accountability in Special District Governance*" and brings into question whether locally adopted policy to regulate board behavior is, indeed, adequate without State oversight to ensure policies are upheld.

The Padre Dam MWD has an adopted policy that prohibits Board members from directing staff in the performance of their duties. Board requests for information or staff assistance are directed to the General Manager. The same policy requires that any information provided to one board member be made available to every member. No mechanism to enforce policy provisions or resolve board misconduct was disclosed.

The Spring Valley SD is a dependent District governed by the San Diego County Board of Supervisors. The County Charter contains provisions prohibiting a member of the Board of Supervisors or a member of a Supervisor's staff from interfering with any employee appointed by or under the Chief Administrative Officer. This section does not limit a Supervisor, or a Supervisor's staff, from seeking information; the CAO has an established procedure for responding to information requests. Violations of this section of the County Charter by a member of the Board of Supervisors constitute an infraction and misconduct in office. The District Attorney shall enforce the provisions of this section.<sup>4</sup>

The seven-member governing board of the Sweetwater Authority consists of five directors elected from the five divisions of the South Bay Irrigation District and two directors appointed at large by the City of National City. The Sweetwater Authority maintains a number of policies that govern communication between elected officials and employees and also acknowledges State laws that regulate this area. The governing board operates under a committee system with three board members on each committee. Board committees meet with management and staff to discuss noticed agendas and make recommendations to the governing board on policy and finance issues. Policy requires the Board to provide direction to the General Manager and Operations Manager; management provides direction to all other staff. Directors are asked to make requests for staff assistance through the management team and staff members are asked to refer Board requests to management. No mechanism to

---

<sup>4</sup> County of San Diego Charter, Section 501:9.

enforce policy provisions or resolve board misconduct was disclosed.

### 3.1 MANAGING HUMAN CAPITAL

Agencies don't provide public services—people do. In order to produce and deliver public services efficiently, local agencies must manage human assets with the same emphasis and vigor that is placed on brick-and-mortar assets. The objectives of capital improvement programs—to identify and prioritize need and translate that need into funded programs—should be replicated in programs for human capital.

Regrettably, managing the human component of public service production is more complicated than just identifying the types and numbers of positions that production requires. Public agencies must conform to multiple layers of regulations mandating practices for hiring and retaining public personnel. Federal laws, such as the Civil Rights Act of 1964, the Americans with Disabilities Act (ADA), the National Labor Relations Act (LRA), the U.S. Family Medical Leave Act, and the Occupational Safety and Health Act (OSHA) apply to local agencies and are frequently replicated and amplified in State regulations. Laws applying to the private sector are sometimes applied to the public sector—with higher standards. For example, the California Family Leave Act affects only those private organizations employing 50 or more persons; however, all units of local government, regardless of staffing levels, must comply<sup>5</sup>

The Meyers-Milias-Brown Act guides employer-employee interaction and provides employees of local agencies with the right to organize and be recognized: “*No public agency shall unreasonably withhold recognition of employee organizations.*”<sup>6</sup> In return, local agencies may adopt reasonable rules and regulations for administration of employer-employee relations after good faith consultation with employee organizations.

#### ■ MSR agencies—MANAGING HUMAN CAPITAL

As discussed in earlier chapters, comparison among agencies is problematic because of the individual nature of each organization. Agencies within the MSR region vary vastly in size and accordingly, in staffing levels. The Lemon Grove SD operates with 9.20 staff years while the Otay WD retains 159 full-time employees. Moreover, because many of the region's agencies have implemented some form of privatization to depress staff levels and generate cost savings, the scope of an agency's responsibility and performance may not be reflected in the size of its official workforce.

---

<sup>5</sup> Government Code § 12945(c) (2).

<sup>6</sup> Government Code § 3507.

▼ Figure 3.0

Personnel Activity 1999-2001

<b>City of Chula Vista (sewer fund)</b>		<b>Sweetwater Authority (continued)</b>	
Executive	1.00	Percent Executive and Management	1%
Management	8.00	Turnover *	1999      Approximately
Professional	2.00		2000      5% annually for
Operational	<u>42.00</u>		2001      3-year period ***
TOTAL STAFF YEARS	53.00		
<b>Helix WD</b>		<b>Padre Dam MWD</b>	
Executive	5.00	Management Team	5.00
Management	10.00	Mid-management	9.00
Engineering	19.00	Professional	4.00
Administrative	39.00	Technical	19.00
Operations	<u>68.00</u>	Operations	44.00
TOTAL STAFF YEARS	141.00	Support	33.00
		Park and Campground	<u>7.00</u>
		TOTAL STAFF YEARS	121.00
Ratio of Executive and Management	11%	Percent Executive and Management	12%
Turnover *	1999      9%	Turnover *	1999      8%
	2000      6%		2000      9%
	2001      6%		2001      4%
<b>Lemon Grove SD</b>		<b>Otay WD</b>	
Management	.70	Executive	7.00
Professional	3.75	Management	12.00
Operations	4.60	Professional	37.00
Support	<u>.15</u>	Operations	<u>103.00</u>
TOTAL STAFF YEARS	9.20	TOTAL STAFF YEARS	159.00
		Ratio of Executive and Management	12%
Percent Executive and Management	8%	Turnover *	1999      6%
Turnover *	1999      0%		2000      10%
	2000      0%		2001      14%
	2001      0%	<b>Spring Valley SD **</b>	
<b>Sweetwater Authority</b>		Executive	2.00
Management	2.00	Management	3.00
Mid-management	29.00	Professional	10.00
Professional	9.00	Operations	<u>25.00</u>
Employees' Committee	<u>97.00</u>	TOTAL STAFF YEARS	40.00
TOTAL STAFF YEARS	137.00	Percent Executive and Management	12.5%
		Turnover *	1999      Approximately
			2000      7.55% annually for
			2001      3-year period ***

\* Terminations, resignations, and retirements; reduction in force not included.

\*\* County of San Diego, Department of Public Works, Wastewater Section provides management, engineering and operational support for 5 county-dependent sanitation districts.

\*\*\* Agency reported gross terminations, resignations, and retirements for 3-year period.

The City of Chula Vista's sewer department contracts for project management, audits, and special studies. The Helix WD utilizes vendors for audits, landscaping, janitorial services, paving, billing, employee services, and vehicle maintenance. The Otay WD uses outside consultants for engineering design, public communications, legal services, information services, printing, newspaper clipping, audits, landscaping, and janitorial services. The Padre Dam MWD uses consultations for audits and for operational functions, such as landscaping maintenance and janitorial services.

The Spring Valley SD relies on the County of San Diego's outsourced information technology and human resource systems; and the Sweetwater Authority uses private contractors for legal services, auditing, customer billing, laboratory work, bulk printing and mailing, video production, internet services, security, landscaping, and janitorial services. The Lemon Grove SD utilizes County of San Diego Property Tax Services for customer billing.

Some indication of management performance might be glimpsed by translating gross personnel numbers into management-to-staff ratios. Ratios vary from one percent at the Sweetwater Authority to 17 percent within the City of Chula Vista's Sewer Department. It would be reasonable to assume that the management ratio of agencies with both sewer and water functions may be justifiably higher than agencies with a single function to accommodate expertise in both disciplines; or that agencies with high growth rates would require additional management personnel for planning and construction functions. This notion is not exhibited in the region's agencies, however. The Otay WD and the Padre Dam MWD—agencies with both water and sewer responsibility *and* high growth rates—have management ratios of 12 percent, which is the median ratio within the region.

Incidence of employee turnover, which includes terminations, resignations, and retirements within the three-year MSR reporting period, is reasonably consistent within each agency. At the most stable, the turnover rate within the Lemon Grove SD was zero percent for all three years. It should be kept in mind that Lemon Grove SD employees are actually City of Lemon Grove employees with part-time District assignments. Other agencies saw turnover rates fluctuate two and three percent; however, even the highest change in turnover rate—a downward turn at the Padre Dam MWD—was only five percent. The Otay WD had the highest rates, at 10 and 14 percent. Median turnover within the region was six percent.

Three agencies, the Helix WD, Otay WD and Padre Dam MWD, had significant internal reorganizations during this period, which resulted in reductions in force, job reclassifications, or job creation, that are not recorded in turnover rates.

### 3.2 PUBLIC INPUT

Part of the municipal service review process involves gathering information from as many sources as possible and engaging the public in review of regional services. In an early phase of the Southern San Diego County Water and Sewer Service MSR, San Diego LAFCO placed copies of all information collected with the Chula Vista Library to be on-call for the public. A notice was also sent to all involved agencies with the request that it be prominently posted for agency personnel. The notice explained the purpose of the MSR and invited comment. The MSR has been reported in multiple newspaper accounts and the press and members of the public have attended meetings of the MSR Working Group.

#### ■ MSR agencies—PUBLIC INPUT

No comments regarding rates, services, or agency responsiveness were submitted by ratepayers within the region. In fact, even with wide media coverage and LAFCO's outreach activities, not one comment by the public at large was received. One constituent of the Otay WD e-mailed an offer to provide consulting services.

Two anonymous callers claiming to be current or former employees of two different MSR agencies contacted LAFCO staff to relate concerns about these agencies' management activities. One current and three former employees of the Otay WD came forward with disapproving comments on District management practices and their own negative experiences as District employees. Two of these individuals spoke before the MSR Working Group and submitted exhibits; reports of these activities were reported in the press. Three other individuals, who are current employees of the Otay WD, submitted comments in support of District management-employee relations; one of these individuals spoke before the MSR Working Group.

Incorporating the observations of individuals into a study of regional services is problematic per requirements of Government Code Section 56430. The nine MSR determinations required by State Law are based on objective analysis of regional service issues. And although dysfunctional employer-employee relations could clearly influence the performance of any agency, there must be direct evidence that service delivery has been affected in order for employee claims to be relevant to the MSR.

Four claimants presented sobering personal accounts of experiences within the Otay WD organization. Exhibits include copies of intra-district e-mails and counseling letters from management to staff, which are offered as the basis of discrimination and harassment claims. Because no relationship between the claims and the provision of district services was established, the claims are not relevant to the MSR. Additional claims that large expenditures by the District were

inappropriate are accompanied by spreadsheets showing disbursement details. The Otay WD has written multiple warrants for large sums; however, without substantiation of fiduciary misconduct or linkages to service delivery, however, these claims are also not relevant to the MSR.

As reported in the Chapter Two discussion of legal expense, the legal cost for the damage inflicted by the inappropriate—possibly criminal—actions of Board members has been substantial. Nevertheless, the District’s fiscal position appears to have withstood the emergency without negative affects to service delivery. Likewise, the quality of service delivery must persevere if management-employee relations are stressed.

Five former employees of the Otay WD have filed lawsuits against the District and individual board members since 2001. The District prevailed in one of these lawsuits; two were dismissed; two are pending. Between December 2001 and August 2003, employees of the Otay WD filed 24 grievances. One grievance is pending arbitration; however, the remaining 23 grievances were resolved successfully, including one appeal through binding arbitration that resulted in a favorable decision for the District.

Service delivery in the Otay WD is apparently unaffected by purported management misbehaviors. Moreover, the grievance process within the District appears to be functioning as such processes are intended—to provide a forum for employees and management to resolve differences. Claimants have the opportunity to present unresolved issues to the Public Employee Relations Board (PERB), the California Department of Fair Employment and Housing (DFEH), the Equal Employment Opportunity Commission (EEOC), and the courts.



**4.0 AUTHORITY FOR GOVERNANCE AND SCOPE OF LOCAL AGENCY POWERS**

Authorization for local government flows from the State of California. The U.S. Constitution does not reference local government; rather, the Constitution conveys all powers not delegated to the Federal Government to the States and it is the States, which in similar manner, extend authority to local government. The California system of local governance has created counties, cities, and special districts; the California Constitution contains provisions for counties and cities, and state statutes create special districts.

The organization of local governance is commonly misunderstood to be hierarchical—special districts positioned as a base, cities layered over special districts, counties at the apex—with each superseding layer exercising oversight on layers below. When in fact, local government is structured to instill each state-authorized subdivision with a level of sovereignty that allows it to govern without intrusion from other units of local government. In the absence of criminal actions, the electorate is sole overseer of local government. Provisions in the Elections Code for initiative, referendum, and recall apply to cities and counties and by cross-reference to special districts.<sup>1</sup> Nevertheless, despite a prerogative of self-rule, local agencies operate in a complex environment of partnerships, shared resources, and State and Federal mandates, which taken together, restrict local authority.

**▪ Limitations on special district and city powers**

The principal acts, which authorize special districts, create distinctive agencies. More than two-dozen principal acts are charters for classes of special districts—each with a unique combination of functions and powers. Principal acts create the context in which special districts operate by defining the services that may be provided, delineating territory that may be served, stipulating characteristics of the governing board, specifying the basis of voter representation, and identifying the range and limits of governance in which each special district must operate.

A special district may engage only in those activities outlined in its principal act. For example, irrigation districts and municipal water

---

<sup>1</sup> See, for instance, Water Code § 71532.



districts are similarly empowered to provide water and recreation services; however, irrigation districts, by authority of Water Code 20500 et seq., may also generate and transmit electric power, while municipal water districts may not. The range of services that special districts may provide is further restricted by LAFCO's responsibility to regulate *latent powers*—the services or functions authorized by the principal act, but not currently exercised by the district.<sup>2</sup>

Special district governing boards must reflect specific characteristics. Directors are required to be registered voters within the county or district where the duties of the office are to be exercised; residency is accordingly required.<sup>3</sup> Candidates for directors of Irrigation Districts and California Water Districts are additionally required to be landowners within the district division were elected. Directors of *independent* special districts are generally selected by district electors. County boards of supervisors, or the city councils in whose jurisdiction a special district exists, sit as directors of *dependent* districts. In some instances the county board of supervisors, a city council, or both bodies, may appoint the directors of special districts.

Cities are not required to comply with principal acts or to gain LAFCO approval before providing specific types of services within city boundaries. Indeed, the California Constitution provides cities with explicit authority to make and enforce police, sanitary, and other ordinances and regulations not in conflict with State Law.<sup>4</sup> Charter cities enjoy somewhat more flexibility in providing services than do general law cities; however, all city councils have wide discretion over city activities within city boundaries. Notwithstanding their ability to make intra-city service decisions without interference, cities, like all other local agencies, must petition LAFCO for approval before providing extra-territorial service.<sup>5</sup>

Local water service agencies in San Diego County that rely on imported water relinquish discretion over some areas of governance to the San Diego County Water Authority (SDCWA). Membership in SDCWA is a prerequisite for gaining entitlement to imported Colorado River water and membership requires local agencies to defer to SDCWA in certain areas of governance; for example, SDCWA boundaries determine where agencies can extend service.

In like manner, sewer agencies in the MSR region without local wastewater treatment facilities must contract with the San Diego Metropolitan Wastewater Authority (METRO) for capacity in the METRO system to treat and dispose of wastewater. A local agency's

---

<sup>2</sup> A special district may provide an additional service that is enumerated in its principle act by submitting a resolution of application to LAFCO and receiving approval from the Commission (Government Code § 56824.12).

<sup>3</sup> Elections Code Section 201; Government Code Section 2400.

<sup>4</sup> California Constitution, Article XI, Section 7.

<sup>5</sup> Government Code § 56133.

ability to make expansion decisions is accordingly constrained by METRO. In 1992, special legislation (SB 1225) created the San Diego Area Wastewater Management District as umbrella agency for the METRO system and the contract agencies. Participants were unable to reach consensus on voting rights and the District was never activated; however, the potential to implement the legislation and create an agency with regional oversight on wastewater still exists.

#### ■ MSR service providers—AUTHORITY AND SCOPE OF POWERS

The Helix WD and South Bay Irrigation District (ID)<sup>6</sup> are *Irrigation Districts* authorized by Water Code 20500 et seq. Irrigation districts are empowered to supply water for beneficial purposes; construct and operate recreational facilities in connection with district facilities; generate reclaimed wastewater; provide drainage required pursuant to the irrigation activity of the district; purchase, lease, generate, and transmit electric power; acquire or operate airports or aviation schools; and, if approved by majority vote, engage in sewage disposal. Irrigation districts of 200,000 or more acres may also provide flood control. The governing body of an irrigation district is composed of a three or five-member board of directors elected at large or by district division. Candidates must be registered voters and landowners within the district division where elected.

- The Helix WD provides treatment, transport, and water storage, plus park and recreation services associated with district-owned Lake Jennings. Water service is provided to approximately 50 square miles covering the Cities of La Mesa, El Cajon, and Lemon Grove, the unincorporated community of Spring Valley, and surrounding unincorporated areas. The Helix WD is a member-agency of SDCWA with 71.30 votes.<sup>7</sup> A five-member Board of Directors governs the District. Directors are elected within divisions and each Director is required to be a registered voter and landowner within the division represented. In October 2002, a Superior Court ruling declared that a seated board member, who was elected to the Helix WD Board of Directors in November 2000, was in violation of the landowner provisions of Irrigation District law and removed from office.

---

<sup>6</sup> The South Bay ID and the City of National City cooperate in a JPA to provide water service within the boundaries of the District and the City under the Sweetwater Authority. The MSR generally references the Sweetwater Authority, however, a discussion of principal acts must address the South Bay ID.

<sup>7</sup> SDCWA member-agencies accrue voting rights based on an agency's total financial contribution to the SDCWA since the Authority was organized in 1944. Each SDCWA board member may cast one vote for each \$5 million, or major fractional part thereof, of the total financial contribution paid by the member agency [State County Water Authority Act § 45-6 (h)].

- The South Bay ID overlays the western and northern portions of the City of Chula Vista, plus the unincorporated Bonita, Sunnyside, Lincoln Acres, and Lynwood communities. The District's five-member Board of Directors is elected by divisions; directors must be registered voters and landowners within the district division where elected.

Although authorized to perform the functions of an irrigation district, the South Bay ID has only two employees and does not provide water service. In 1972, the South Bay ID and the City of National City entered into a joint powers agreement (JPA) for the purpose of acquiring the privately held California-American Water Company. The distribution and supply system of the California-American company, which included the Sweetwater Dam, Loveland Reservoir, and wells in the City of National City, was substantially coterminous with the boundaries of the South Bay ID and the City of National City. The JPA created the Sweetwater Authority as an overlay to both jurisdictions in anticipation of assuming the private water operations without disturbing facilities, water rights, or customer service. In 1977, voters in both parent agencies approved sale of revenue bonds to acquire the private system. The South Bay ID issued bonds, took title to the water system, and subsequently leased the system to the Sweetwater Authority. In 1990, the Sweetwater Authority issued bonds to refinance the District's outstanding debt and title of the system was transferred to the Authority.

The relationship between the Sweetwater Authority and its parent agencies can be puzzling to some observers. Indeed, the City of Chula Vista's website names the South Bay ID as one of three agencies that provide water within the City. As explained, however, the South Bay ID does not function as a retail water service provider; the District is one of two JPA partners that enable the Sweetwater Authority to engage in providing water service. The Authority is a separate legal entity, independent from the City of National City and the South Bay ID<sup>8</sup>. The Authority has no taxing power, but may exercise certain other powers common to the South Bay ID and the City of National City. Notwithstanding its status as an autonomous organization, the Sweetwater Authority's access to imported water is a factor of South Bay ID and the City of National City memberships in SDCWA. The South Bay ID retains 27.81 votes and the City of National City has 9.01 votes on the SDCWA board.

The Sweetwater Authority is governed by a seven-member board of directors composed of the five-member South Bay ID board and two members from the City of National City; National City members are appointed by the Mayor subject to confirmation by the City Council. The two appointees must be registered voters of the City of National

---

<sup>8</sup> Government Code § 6508.

City. Water service is provided within approximately 41 square miles covering the City of National City, the western and northern portions of the City of Chula Vista, and the unincorporated communities of Bonita, Sunnyside, Lincoln Acres, and Lynwood. In addition to water services, the Authority provides recreation services associated with the Loveland Reservoir.

- The Otay WD is a *Municipal Water District* under Water Code 71000 et seq. Municipal water districts may supply water for beneficial purposes, construct and maintain recreational facilities, provide fire protection and emergency medical services, including ambulance and paramedic service, acquire waterworks systems or water rights, and acquire and operate sanitation facilities. Municipal water districts may also provide other miscellaneous services, such as hydroelectric and electric power. Governing bodies are composed of five-member boards of directors elected from divisions.

The Otay WD distributes potable water over approximately 129 square miles within portions of the Cities of Chula Vista and San Diego, and the Spring Valley, Otay Mesa, Jamul-Dulzura, Sweetwater, and East Otay Mesa unincorporated community plan areas. Sewer service is provided in the unincorporated communities of Rancho San Diego, Singing Hills, and portions of Mount Helix. Recycled water is distributed to unincorporated areas in the central and Otay Mesa areas of the District. The Otay WD is a contract agency with METRO and a member agency of SDCWA with 29.26 votes. Unconfirmed statements in the media that the District has considered undertaking some manner of electric service appears to be problematic unless approved by LAFCO.

The Otay WD is governed by a five-member Board of Directors elected from divisions. Each director is required to be a resident of the division represented. In 2001, a majority of the District's Board of Directors determined that one seated board member was not a resident of the District and was in violation of State Law. Accordingly, the Board majority declared the seat vacant and appointed a replacement.

- The Padre Dam MWD is also authorized as a Municipal Water District. The District provides potable and recycled water services, wastewater collection and treatment, and park and recreation services associated with district-owned Santee Lakes. A five-member Board of Directors is elected by division. The District is a contract agency with METRO and a member agency of SDCWA with 28.55 votes.

The Padre Dam MWD service area covers approximately 85-square miles including the City of Santee; portions of the City of El Cajon; and the unincorporated communities of Lakeside, Alpine, Crest, Harbison Canyon, Blossom Valley, Dehesa, and Flinn Springs. Wholesale potable water is provided to the Lakeside and Riverview

Water Districts—two water agencies that lie completely within the boundary of the Padre Dam MWD.

- The Spring Valley SD is a *County Sanitation District* under Health and Safety Code § 4700 et seq. A county sanitation district may engage in sewage collection, treatment, and disposal; operate refuse transfer or disposal systems (refuse collection is prohibited); street cleaning; and production, treatment, storage, and distribution of water. The appointed governing body is composed of not-less-than three members representing jurisdictions that the sanitation district serves.

The Spring Valley Sanitation District is a *dependent* district serving only unincorporated territory; therefore, the five-member County Board of Supervisors presides as the District Board of Directors and the County Department of Public Works is responsible for district operations. The District provides sewage collection and transport service within approximately 9,432 acres in the unincorporated Spring Valley area; treatment and disposal is accomplished through contract with METRO.

- The Lemon Grove SD is also a County Sanitation District, however, the City Council of the City of Lemon Grove serves as the District's appointed Board of Directors. Prior to the incorporation of the City of Lemon Grove in 1977, the Lemon Grove SD, together with the Spring Valley SD, provided wastewater services within the surrounding unincorporated area. Both sanitation districts continued to provide service within the City of Lemon Grove after incorporation. A 1982 reorganization of the two sanitation districts allocated substantially all City of Lemon Grove territory to the Lemon Grove SD; the Spring Valley SD was assigned responsibility for adjacent unincorporated territory.

The reorganization did not convert the Lemon Grove SD to a subsidiary district of the City. Following the 1982 reorganization, the District fell under provisions in the principal act that permitted the Board of Supervisors to designate the City Council as Board of Directors because the sanitation district served the City in addition to unincorporated territory—and city population provided more than half of the district population. Transferring legislative authority to the Lemon Grove City Council without creating a new subsidiary agency allowed the sanitation district to retain its rates with METRO—which were considered favorable at the time.

- The City of Chula Vista incorporated as a general law city in 1911 and received voter approval to operate as a charter city in 1949. The four-member Council and Mayor are elected at large. The City functions as a full-service city—meaning the City provides most municipal services, rather than relying on a network of contracts with other public and private organizations or overlying special districts to

furnish mandated and discretionary services. Animal control, building inspection, fire protection, library services, planning and land use, police protection, road and highway maintenance, street lighting, and sewer services, among others, are provided directly by City personnel.

The City of Chula Vista—like most other cities in San Diego County—does not provide water service. Only four municipalities, the Cities of Del Mar, Oceanside, Poway, and San Diego, are exclusive water service providers within city territory. The Cities of Carlsbad and Escondido, also provide water service in cooperation with special districts. The remaining 12 cities in the County depend totally upon special districts or private water companies to furnish water to city residents. Within the City of Chula Vista, two public agencies, the Otay WD and the Sweetwater Authority, and the private California American Water Company are responsible for planning, funding, and maintaining systems and securing a water supply that will provide potable water to City residents.

Initially, water service was provided to city residents by the California Water and Telephone Company—later the California American Water Company—which owned both local water supply and distribution system. In 1944, the City became one of nine original SDCWA member-agencies and following the SDCWA membership with MET in 1946 and completion of the San Diego Aqueduct in 1947, the City of Chula Vista had entitlement and access to Colorado River water. The City had not developed a water distribution system, however, and during lengthy efforts to transform the private California American Water Company distribution system into a public asset, the City of Chula Vista withdrew from SDCWA and the newly formed South Bay ID became the custodial agency for the City's water supply.

The private water distribution system of the California American Company was ultimately purchased with public bonds and provided the foundation of the Sweetwater Authority's distribution system in the northern and western sections of the City of Chula Vista, adjacent unincorporated areas, and the City of National City.

The Otay WD, when formed by special legislation in 1952, included only unincorporated agricultural area east of the City of Chula Vista. Over time, as unincorporated territory annexed to the City, the City's eastern boundary expanded to cover areas already served by the Otay WD. District boundaries have remained relatively static over time; however, District facilities have grown to provide service to city-approved development.

Otay WD Division 1 (Breitfelder) and Division 2 (Bonilla) overlie the eastern portion of the City. South Bay ID Division 1 (Pocklington); Division 2 (Doud); Division 3 (Wright); and Division 4 (Reynolds) overlie northern and western sections of the City; Division 5 (Welsh) includes a small section of City territory.

The layers of agencies have created City of Chula Vista constituents who are also fully enfranchised voters within one of the two public water agencies. Population density is skewed toward those divisions of the Otay WD and the South Bay ID that lie within the City; as the majority of registered voters in each water agency are also voters within the City of Chula Vista, City voters presumably control the water agenda.

▼ **Figure 4.0**

ABSTRACT OF AGENCIES IN MSR REGION		
Authorization	Services Provided	Legislative Body
<b>City of Chula Vista</b> Charter City Article XI California Constitution	Full service city with exception of water service, which is provided by two public agencies—the Sweetwater Authority and Otay WD—and the private Cal-American Water Co.	4 member City Council, elected at large; Mayor elected at large
<b>Helix WD</b> Irrigation District Water Code 20500 et seq.	(1) Treatment, storage and distribution of potable water; (2) Park and recreation services associated with Lake Jennings.	Independent 5-member Board of Directors, elected by division
<b>Lemon Grove SD</b> County Sanitation District Health and Safety Code 4700 et seq.	(1) Wastewater collection and transport.	Dependent Board of Directors: 5-member City of Lemon Grove City Council
<b>Otay WD</b> Municipal Water District Water Code 71000 et seq.	(1) Treatment, transport, and storage of potable water; (2) Wastewater collection, transport, and treatment; (3) Production and distribution of recycled water.	Independent 5-member Board of Directors, elected by division
<b>Padre Dam MWD</b> Municipal Water District Water Code 71000 et seq.	(1) Treatment, transport and storage of potable water; (2) Wastewater collection, transport, and treatment; (3) Park and recreation services associated with Santee Lakes	Independent 5-member Board of Directors, elected by division
<b>Spring Valley SD</b> County Sanitation District Health and Safety Code 4700 et seq.	Wastewater collection and transport	Dependent agency to San Diego County Board of Supervisors
<b>South Bay ID</b> Irrigation District Water Code 20500 et seq.	Service authority transferred to Sweetwater Authority	Independent 5-member Board of Directors, elected by division
<b>Sweetwater Authority</b> JPA Government 6500 et seq.	Storage, treatment and distribution of potable water; recreational activities associated with Loveland Reservoir	Appointed Board of Directors: South Bay ID Bd. of Dir. and 2 representatives from City of National City

In December 1995, the City of Chula Vista and the Otay WD entered into a 20-year agreement for District provision of water service to the City. The agreement stipulates that the District will be the retail water supplier for those parts of the City that are within the District's jurisdiction, and for areas currently outside the District's jurisdiction, which in the future, are annexed to the City's eastern boundary.

#### **4.1 PRINCIPLES OF GOVERNANCE**

Local government is part of a democratic system that values the electorate as the most influential component of any public organization. Local public officials are popularly elected or appointed as proxy to implement the electorate's will in discharging agencies' missions. Empowerment of the electorate requires local agencies to accommodate the public's need for access, information, and participation.

- **Public engagement**

It is imperative that the public be engaged in local government; a moribund constituency cannot maintain public institutions. Without public engagement in the affairs of local agencies, the pool of potential officials is diminished, policy decisions will not be driven by public input, and the legitimacy of public authority is suspect. Before the public can be engaged in local government there must be awareness of local agencies and the services they provide. Generally, there is more awareness of the functions and activities of counties and cities than of special districts because of the visibility that comes with size; many special districts that are smaller and single-purpose are not similarly positioned. Indeed, the California Special Districts Association (CSDA) encourages special districts to increase understanding outside the boardroom by initiating outreach programs among the public, media, and legislators.<sup>9</sup>

- **Accountability and responsiveness**

Agency affairs must be conducted in a manner that disseminates information about the organization's activities and involves the public in decision-making. Agencies should clearly articulate their missions and to this end, are well advised to adopt formal mission statements concerning the goals and culture of the organization. Open meetings must be scheduled for the convenience of the public and conducted in compliance with the Ralph M. Brown Act.

The governing bodies of all local agencies are either popularly elected or appointed as proxy and are required to conform to State regulations concerning campaign disclosure laws, incompatible offices, and conflicts

---

<sup>9</sup> *Special Districts Reserve Guidelines*, California Special Districts Association, page 4.



of interest. Compensation to officials must fall within statutory limits. Communication among local officials and between officials and employees is limited under open-meeting laws. Exchange of information must take place within controlled environments that provide maximum opportunity for the public to participate in agency decisions.

#### **■ MSR service providers—PRINCIPLES OF GOVERNANCE**

All service providers within the Southern San Diego MSR region schedule regular public meetings. Meeting frequencies range from 1-4 meeting(s) per month. Each agency posts meeting agendas on websites and otherwise follows requirements proscribed by State Law for contacting the media, public agencies, and individuals regarding meeting notification.

Many of the region's agencies have outreach programs to inform and engage the public. Mission statements, websites, and newsletters are used to increase visibility and transparency of agency activities. Many agencies have developed additional outreach programs that inform and educate the public to the relevancy of the agency's functions; for example, the Helix WD, in conjunction with the Cuyamaca College District, sponsors a water-saving garden project.

The Spring Valley SD and the Lemon Grove SD, both dependent districts, seem to be most distant from customer interaction. Neither agency has a stand-alone website, although information can be located—with some perseverance—on parent-agency websites. Nor does either agency produce a newsletter or other publications to inform constituents of district activities.

Voting records within the region are characterized by a wide variation in voter participation. Registered voter turnout within the reporting period ranged from 29.30 percent to a high of 64.10 percent; median voter turnout was 47 percent. Competition for elected positions also varies widely. During the approximate 3-year MSR review period, multiple candidates ran in each at-large election for the City of Chula Vista City Council and at large elections in the City of Lemon Grove; however, candidates for the Helix WD ran unopposed twice; two appointments were made at the Otay WD; three candidates ran unopposed at the Padre Dam MWD, and two candidates ran unopposed at the South Bay ID. Explanations for these circumstances are inconclusive. Unopposed incumbents may simply be perceived as effective and deserving of reelection; in other situations, the public may be apathetic or too disengaged from the process to file for office.

Elections in the reporting period were characterized by less than one-half of all eligible voters participating. The lowest rates of voter involvement occurred in elections for agencies with the parent/dependent special

district role—the Lemon Grove SD and the Spring Valley SD—agencies that also have minimal public outreach programs.

While it cannot be established that there is a correlation between voting records and voter awareness of agencies activities, it also cannot be denied that those agencies within the MSR region with more energetic outreach programs have higher voter participation.

▼ Figure 4.1

OUTREACH PROGRAMS WITHIN MSR REGION			
	Web-site	Newsletter	Mission Statement
City of Chula Vista (Wastewater Dept.)	<a href="http://www.ci.chula-vista.ca.us">www.ci.chula-vista.ca.us</a>	Yes	<i>"To operate, maintain, and repair wastewater lift stations, public pool water treatment equipment, public display fountains, and the Nature Center water circulation equipment in a safe, efficient, and professional manner. To provide resources to the Fire Department in the event of a confined space rescue or other similar need."</i>
Helix WD	<a href="http://www.hwd.com">www.hwd.com</a>	Yes	<i>"Helix Water District is a progressive industry leader, providing high quality water, through an efficient and reliable system. Our innovative and dedicated employees and Board members maximize human and technological resources, providing superior service to our customers."</i>
Lemon Grove SD	<a href="http://www.ci.lemon-grove.ca.us/clg/cityhall/departments/special.asp">www.ci.lemon-grove.ca.us/ clg/cityhall/departments/special.asp</a>	No	None
Otay WD	<a href="http://www.otaywater.gov">www.otaywater.gov</a>	Yes	<i>"To provide the best quality of water and wastewater service to the customers of the Otay Water District, in a professional, effective, efficient, and sensitive manner, in all aspects of operation, so that public health, environment and quality of life are enhanced."</i>
Padre Dam MWD	<a href="http://www.padredam.org">www.padredam.org</a>	Yes	<i>"To provide quality water, recycled water, park and recreation facilities and wastewater management services for our customers. We accomplish this mission in the most cost-effective manner possible, earning customer and community respect."</i>
Spring Valley SD	<a href="http://www.co.san-diego.ca.us/dpw/engineer/wasteeh2o.htm">www.co.san-diego.ca.us/dpw/ engineer/wasteeh2o.htm</a>	No	<i>County Dept. of Public Works: "Ensure public safety through design, construction and maintenance of a safe and reliable infrastructure. Build and maintain highly motivated, knowledgeable staff in a safe, fair working environment. Foster partnerships with communities and industry that result in the best possible outcomes. Protect and preserve public resources and assets, applying the highest standards of professional, ethical conduct. Provide responsible, quality service to our customers at a reasonable cost."</i>
Sweetwater Authority	<a href="http://www.sweetwater.org">www.sweetwater.org</a>	Yes	<i>"Our mission is to provide our current and future customers with a safe, reliable and affordable water supply through the use of the best available technologically sound management practices, public participation and a balanced approach to human and environmental needs."</i>

► Figure 4.2

PERCENT OF REGISTERED VOTERS PARTICIPATING IN RECENT ELECTIONS			
	Nov 2000	March 2002	Nov 2002
<b>City of Chula Vista</b>			
Seat 1			30.30 %
Seat 2			30.30%
Seat 3	59.60%		
Mayor			45.40%
<b>Helix WD</b>			
Division 1	48.30%		
Division 2			47.00%
Division 4			52.00%
Division 5	47.90%		
<b>Lemon Grove SD</b> (City Council at large)			36.60%
<b>Otay WD</b>			
Division 1			49.50%
Division 2	64.10%		
Division 3			43.90%
Division 4	58.30%		
Division 5	56.90%		
Division 5			55.20%
<b>Padre Dam MWD</b>			
Division 1			52.30%
Division 2	59.20%		
Division 3			44.60%
Division 5			56.60%
<b>Spring Valley SD</b> (Board of Supervisors)			
District 1	31.05%		
District 2	48.00%		
District 3	44.49%		
District 4		37.70%	
District 5		29.30%	
<b>South Bay ID</b>			
Division 1			37.40%
Division 4			45.00%
Division 5	55.89%		

Source: San Diego County Registrar of Voters

#### 4.2 REORGANIZATION

One of LAFCO's roles is to study public service conditions and evaluate potential for gaining efficiencies through reorganization. Two agencies within the Southern San Diego County Water and Sewer MSR region are the product of past reorganizations. The Padre Dam MWD was originally

formed by a voter-approved merger of the Rio San Diego and Santee County Water Districts and subsequently absorbed the Crest Public Utilities District; the Spring Valley and Lemon Grove County Sanitation Districts underwent reorganization in 1982 that realigned the Districts' boundaries along City of Lemon Grove and unincorporated territory. The reorganization facilitated transfer of legislative responsibility for the Lemon Grove County SD to the City of Lemon Grove City Council.

There are several service conditions within the MSR region that could be examined for potential reorganization:

- The Padre Dam MWD boundary encloses the Lakeside and Riverview Water Districts. Neither of the two smaller water agencies has a water supply source; each depends on the Padre Dam MWD for wholesale water. Reorganizing these three agencies to remove a wholesale supply layer, eliminate boards of directors, and reduce redundant programs and staffing could produce efficiencies. Discussions among the three agencies have recently been initiated and reorganization will be studied in conjunction with an MSR and sphere study specific to these agencies. Because neither of the smaller agencies is a member of the SDCWA, the reorganization study would need to determine how the agencies will gain entitlement to imported water.
- A reorganization to dissolve the Lemon Grove SD and merge sewer service functions with other City of Lemon Grove responsibilities may produce efficiencies. The City Council of the City of Lemon Grove performs legislative functions for the Lemon Grove SD and City staff oversees district operations. District boundaries are substantially coterminous with the City; however there is limited territory within the City that is *not* within the District. City residents in these areas must annex to the District before requesting sewer service. As a city department, rather than a separate agency, planning and funding barriers between the City and the District would be eliminated and ratepayers would have one less layer of bureaucracy to contend with.

A merger of the District with the City would require analysis of several issues. Because the District does not include all City territory, an environmental analysis would be required before sewer service could be extended to unserved areas. The District provides substantial extraterritorial service and an evaluation of the effects of reorganization on extra-territorial customers would also need to occur.

- An alternative reorganization to align the boundaries of the Lemon Grove SD with its actual service area could increase voter enfranchisement. Approximately 15 percent of Lemon Grove SD capacity is consumed in service to extra-territorial customers. The District is preparing to extend additional extra-territorial service to 212 residential units in the City of La Mesa. Extra-territorial

customers cannot participate in district affairs—for example, they are not able to vote for District/City representatives or for special taxes to fund sewer upgrades. Accordingly, a reorganization study would examine how to align the boundary of actual service areas with the boundary of the sewer agency. Extending the boundaries of the District beyond the City of Lemon Grove would impede future merger of the District and City.

- Reorganization between the Otay WD and the City of El Cajon for sewer service. In limited areas along the City/District boundary, sewer service may be provided by gravity flow to the City more efficiently than the current system of District pump stations.
- Reorganization between the Otay WD and the Spring Valley SD for sewer service within the Jamacha Basin. The Spring Valley SD overlays the northwestern portion of the Otay WD. Sewer service in this areas—specifically within the Jamacha Basin—is split between the two sewer agencies. It is feasible that efficiencies would be gained if service within the Basin were consolidated under one agency. The Otay WD District, which has limited wastewater facilities, suggests that sewer service be consolidated under the Spring Valley SD.
- The City of Chula Vista suggests that a reorganization placing the central section of the Otay WD water system under City authority would provide efficiencies. A reorganization that would disassemble a sub-regional water distribution and supply system would require careful examination. Initially, current inefficiencies would need to be documented. Incidences such as regulatory violations, an inability to meet the SDCWA 10-day shutdown guideline; *Statements of Concern* by the City’s Growth Management Oversight Commission (GMOC), records of arbitration invoked under agreements between the District and the City, projections of excessive or rising potable water rates, or accounts of development projects delayed or abandoned because of inadequate infrastructure or water supply could be indication that a reorganization study is justified.

A proposal to disassemble the District’s distribution system would require thorough engineering analysis to determine whether reorganization would produce demonstrable benefits. An inquiry would examine the effect of reorganization on the District’s central distribution system and the remaining northern and southern sections. The Otay WD provides service to an expansive unincorporated area in addition to City territory and the interests of unincorporated constituents are weighted equally with City interests.

Disassembling the District would require apportioning all District assets, equipment, personnel, reserves, etc., between the two agencies. Financial analysis would need to establish the percentage of district debt and capital improvement reserves related exclusively to the central distribution area and terms and conditions of a

reorganization would need to reconcile the fiscal impacts to either agency

Questions regarding efficiencies that could be achieved following reorganization would need to be answered. The City of Chula Vista is not a member agency of the SDCWA and details concerning the likelihood of gaining membership and the cost of such an action would need to be understood. City start-up costs for hiring, training, and administering staff to oversee an entirely new city function would need to be estimated. Clarification would be required regarding whether the 20-year agreement between the District and the City, which stipulates that the District will be the City's retail water supplier could be reasonably set aside. Merging a single-purpose agency with a full service agency presents other issues. The single-purpose Otay WD oversees funds dedicated exclusively to water service. Transferring that fiduciary responsibility to a full-service agency has the potential to make those funds available for other city functions. The City's bond rating, level of reserves, reserve policies, record for providing other services, etc., would need to be examined to determine if the City of Chula Vista would be a qualified agency to become successor to the Otay WD's service responsibilities.

The Otay WD provides water services only to the eastern section of the City of Chula Vista; the South Bay ID, under the auspices of the Sweetwater Authority, provides water service to the northern and western sections. The private California American Water Company, which secures its water supply from the City of San Diego, services a small section of the City of Chula Vista. Accordingly, a comprehensive evaluation of City governance would include reorganizing the South Bay ID as well as the Otay WD. At issue would be whether only city residents currently served by the Otay WD would be best served with city-provided water service—or if all city residents would benefit from reorganized water services. Reorganization possibilities include consolidating the water service of both special districts under city authority; consolidating water service within the City under the South Bay ID/Sweetwater Authority; and consolidating water service within the City under the Otay WD.



## MSR DETERMINATIONS

---

### **GOVERNMENT CODE § 56430**

Government Code § 56430 requires LAFCO to conduct comprehensive reviews of municipal services and prepare written statements of determinations for nine categories of inquiry. Determinations are not findings of fact, rather, they are “...declaratory statements that make a conclusion, based on all the information and evidence presented to the Commission.”<sup>1</sup> The determinations are based on a comprehensive analysis of local agency service information. The comprehensive analysis establishes the basis for commission determinations and conclusions about the adequacy of service provision. The Commission, other agencies, or the public may use determinations to provide guidance for future decisions; however, the determinations themselves do not represent recommendations for action.

### **DETERMINATION 1: INFRASTRUCTURE NEEDS AND DEFICIENCIES**

In authorizing the preparation of municipal service reviews, the State Legislature has focused on one of LAFCO’s core missions—encouraging the efficient provision of public services. Infrastructure needs or deficiencies, which refers to the adequacy of existing and planned public facilities in relation to how public services are—and will be—provided to citizens, impacts the efficient delivery of public services. Infrastructure can be evaluated in terms of capacity, condition, availability, and quality; and correlation among operational, capital improvement, and finance plans. It is recognized that there may be unmet infrastructure needs due to budget constraints or other factors; however, identification of deficiencies may promote public understanding and support for needed improvements.

#### **REGIONAL:**

---

<sup>1</sup> *Final Local Agency Formation Commission Municipal Service Review Guidelines*, Governor’s Office of Planning and Research, August 2003, pg. 44.



**Determination 1.0 The region's potable water infrastructure appears adequate to provide efficient service.**

*Indicators of system weakness, such as non-compliance with SDCWA emergency guidelines are not present. No regulatory violations or citations of deficiency were issued to any water service provider within the MSR region, nor was any incidence reported of infrastructure insufficiency causing delayed or abandoned development.*

*Indicators that the system is performing adequately include equitable provision of potable water service throughout the region and annual statements of "in compliance" for the Otay WD and the Sweetwater Authority by the City of Chula Vista's Growth Management Oversight Commission.*

**Determination 1.1 The region's potable water infrastructure includes adequate provisions for emergency service.**

*Infrastructure is appropriately sized for current, seasonal, and emergency needs. Water systems within the region are characterized by flexibility, strategic redundancy, emergency storage, and alternative water sources. Individually, water service agencies have the capability to withstand a planned 10-day shutdown of SDCWA service; interconnections between systems further emergency preparedness.*

**Determination 1.2 The region's water agencies pursue a long-term strategy to reduce reliance on imported water.**

*The region's water agencies partner with SDCWA to diversify water resources through joint development of conservation, water recycling, and groundwater storage and recovery projects. The region has developed local water supplies to augment imported water, which furnish between 2.4 and 36.5 percent of individual agencies' total water supply.*

**Determination 1.3 Overall planning for the region's future water infrastructure appears adequate.**

*The region's water agencies individually engage in strategic planning for five or ten year horizons through master plans or capital improvement plans. Coordinated planning among the region's water agencies occurs under the umbrella of SDCWA, which defines service boundaries, invokes emergency storage guidelines, and partners in treatment facilities.*

**Determination 1.4 The region's sewer infrastructure appears adequate to provide efficient services.**

*None of the region's sewer service agencies received notices of regulatory violations during the MSR reporting period; moreover, incidence of sewer spills per hundred miles was generally very low. The Lemon Grove SD experienced higher than average spills and higher than average claims for damages.*

**Determination 1.5 Overall, the region's planning for future sewer infrastructure appears adequate.**

*The region's sewer agencies generally engage in planning processes that are appropriate for their individual size and growth rates, although the Lemon Grove SD should review planning for emergency services.*

**Determination 1.6 Infrastructure for reclaimed wastewater is appropriately placed in areas where the cost of reclamation systems can be justified.**

*Infrastructure to produce and distribute reclaimed wastewater is present within a limited portion of the region. Nonetheless, even limited reclaimed wastewater resources are generally held to be of regional benefit in reducing dependence on METRO and increasing the availability of local water supplies. The scope of the region's reclaimed wastewater system is based on the relative cost/benefit of construction, market demand, and geographic restrictions imposed by the San Diego Regional Water Quality Control Board.*

**Determination 1.7 Fire flow in some areas of the region may be inadequate**

*The Padre Dam MWD reports that they are addressing limited areas where fire flow does not meet current standards. The Otay WD remedied inadequacies in 1999; however, other areas may be inadequate and a survey of fire flow standards maintained by the region's fire protection service agencies should be conducted and the results measured against the capacity of the region's water systems.*

**LOCAL:**

**Determination 1.8 Sewer infrastructure within the City of Chula Vista, Otay WD, Padre Dam MWD, and Spring Valley SD includes adequate provisions for emergency service.**

*Wastewater infrastructure within the City of Chula Vista, Otay WD, Padre Dam MWD, and Spring Valley SD is characterized by emergency storage facilities and the ability to divert wastewater flows from points of failure to alternative routing for transport to METRO.*

**Determination 1.9 Sewer infrastructure within the Lemon Grove SD may have inadequate provisions for emergency service.**

*Wastewater infrastructure within the Lemon Grove SD is characterized by lack of either storage facilities or alternative routing for transport to METRO in emergencies.*

**Determination 1.10 The Otay WD and the City of Chula Vista should commence discussions concerning long-term planning for water infrastructure within the City and the City's sphere of influence.**

*The 20-year agreement between the Otay WD and the City of Chula Vista, which stipulates that the District will be a retail water supplier within the City and the City sphere of influence, will expire in twelve years. Timely planning choices must be made for the high growth portion of the City served by the Otay WD and it would be prudent for the City and District to cooperate in joint planning with the farthest possible horizon. Discussion should establish a mutually acknowledged strategy for ensuring adequate water supply— on-site storage, alternative supply, or a mixture of modes.*

**Determination 1.11 A sphere of influence update study of the City of Chula Vista, Otay WD, and Spring Valley SD should examine possible extension of services to unincorporated territory known as Otay Ranch parcels 13 and 14.**

*Proposed development of the Otay Ranch parcels 13 and 14 will require appropriate boundary adjustments to extend sewer and water infrastructure to the area. Parcels 13 and 14 are not within the sphere of influence of either the Spring Valley SD or the Otay WD; a very small portion of the area is within the City of Chula Vista sphere. Extension of public services from any of these agencies would involve a sphere update and boundary adjustment; however, many planning steps will need to be completed prior to this concept being implemented. The City of Chula Vista, the Otay WD, and the Spring Valley SD will need to cooperatively plan so that services are extended to this area in the most efficient manner possible.*

## **DETERMINATION 2: GROWTH AND POPULATION PROJECTIONS**

Efficient provision of public services is linked to an agency's ability to plan for future need. For example, a water purveyor must be prepared to supply water for existing *and* future levels of demand and also be able to determine *where* future demand will occur. The municipal service review evaluated whether projections for future

growth and population patterns are integrated into an agency's planning function.

**REGIONAL:**

- Determination 2.0 SANDAG projections to 2020 indicate that the region will undergo significant growth.**

*Because projected growth patterns should influence the location and sizing of future public facilities, it is essential that population and development forecasts be integrated into the region's planning processes.*

- Determination 2.1 Anticipated growth will be unevenly distributed throughout the region; each of the region's water and sewer service providers will experience distinctly different impacts on existing facilities, planning, capital needs, and staffing.**

*The East Suburban MSA will be required to absorb growth and development that will exceed population changes in both the South Suburban and Central MSAs. Between 1995 and 2020, it is anticipated that approximately 39,000 acres of vacant land will be developed in the Eastern MSA; 8,000 in the South Suburban MSA and; 1,000 in the Central MSA.*

- Determination 2.2 The region's water and sewer agencies engage in long-term planning to anticipate and accommodate growth.**

*The region's water and sewer agencies acknowledge the need to integrate population projections into their planning processes and rely on SANDAG population forecasts as data sources. SANDAG data is generally adjusted to reflect agencies' growth and consumption experiences and then integrated into proprietary models for calculating future service demands.*

- Determination 2.3 The region's single purpose agencies must coordinate with general-purpose agencies in planning for future services.**

*The region's special districts do not have land use authority and are limited to anticipating the outcomes that jurisdictions with land use authority create. It is imperative that planning to accommodate growth takes place within a collaborative of agencies with land use authority and agencies with service delivery responsibility.*

**LOCAL:**

- Determination 2.4 The County of San Diego, which has land use authority, has specific policy for directing growth by regulating the extension of sewer infrastructure.**

*The County of San Diego has adopted two policies regarding the location of sewer infrastructure in the unincorporated area. Policy I-36 provides that, with certain exceptions, installation of sewer infrastructure outside of a County Sanitation District is prohibited. Policy I-107 encourages infilling of certain portions of East County consistent with the County's land use plans.*

**Determination 2.5** **The City of Chula Vista, which has land use authority, does not have policy for directing growth by regulating the extension of sewer infrastructure.**

*The City of Chula Vista uses various development entitlements to encourage infill but does not have specific policy to guide the extension of wastewater infrastructure to specific areas.*

### **DETERMINATION 3: FINANCING CONSTRAINTS AND OPPORTUNITIES**

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

#### **REGIONAL:**

**Determination 3.0** **The region's service providers are financially autonomous and limited to funding sources allowed under State Law.**

*Each of the region's agencies, as autonomous units of local government, has sovereignty over fiscal issues—subject to State law. All of the region's agencies conform to restrictions of Prop 13 and Prop 218 in assessing fees, benefit assessments, and general and special taxes*

**Determination 3.1** **Operating revenues for water and sewer services within the region are primarily obtained from enterprise funds.**

*Within special districts, water and sewer service billings provide between 70 and 94 percent of operating revenues.*

*The City of Chula Vista's sewer department, which also functions as a stand-alone enterprise activity, obtains approximately 83 percent of departmental operating budget revenues from service fees.*

**Determination 3.2 Property tax revenue provides an insignificant portion of the region's overall fiscal need.**

*Two agencies, which levied a pre-Prop 13 property tax rate, receive an increment of revenue from the one percent property tax. The Otay WD receives a property tax allocation providing approximately one percent of the District's operating revenue; the Padre Dam MWD receives an allocation equal to approximately 4.7 percent of operating revenue. The City of Chula Vista receives an increment of property tax revenue that provided approximately 12.3 percent of the City's General Fund in FY 01-02; however, the City does not support its sewer function with general funds.*

**Determination 3.3 Options for funding the region's water infrastructure appear to be adequate. Water service agencies do not forecast short or long-term constraints that limit the ability to provide infrastructure upgrades and improvements.**

*Water service providers use a mixture of pay-as-you-go and long-term debt to fund infrastructure upgrades and improvements. Water agencies have "high-grade" to "best-quality" bond ratings.*

**Determination 3.4 The region's sewer agencies are vulnerable to increases in METRO fees.**

*Costs for mandatory improvements to METRO are passed through to member agencies in increased rates.*

**LOCAL:**

**Determination 3.5 Options for funding sewer infrastructure within the City of Chula Vista, Otay WD, Padre Dam MWD, and Spring Valley SD appear adequate. These agencies do not forecast short or long-term constraints that limit the ability to provide infrastructure upgrades and improvements.**

*Sewer service providers use a mixture of pay-as-you-go and long-term debt to fund infrastructure upgrades and improvements. Those agencies that utilize long-term debt have "high-grade" to "best-quality" bond ratings. The City of Chula Vista utilizes connection fees and development impact fees to fund sewer improvements; however, the City technically has the flexibility to use other City resources or long term-debt to fund wastewater infrastructure.*

**Determination 3.6 Options for funding sewer infrastructure within the Lemon Grove SD appear to be limited.**

*Infrastructure improvements in the Lemon Grove SD are funded exclusively on a pay-as-you-go basis from sewer service fees. The District is essentially built-out and infrastructure is limited to maintenance and upgrades. The District, which has never used long-term debt, does not have a bond rating. The Lemon Grove SD, which is a County Sanitation District, is fiscally separate from the City of Lemon Grove.*

**Determination 3.7 The Lemon Grove SD should investigate whether increased system efficiencies would justify the use of long-term debt.**

*The Lemon Grove SD funds improvements exclusively on a pay-as-you-go basis from sewer service fees. While the use of current revenues results in lower net costs than long-term debt, it can be difficult to accumulate sufficient capital to fund major upgrades. As the District has the highest incidence of system failure in the region and does not have emergency facilities, the District should investigate whether the use of long-term debt to upgrade facilities would justify the additional cost.*

**Determination 3.8 Creating the Sweetwater Authority by joint powers agreement, enabled cooperative funding and ownership of water service infrastructure within the South Bay Irrigation District and the City of National City.**

*Creation of the Sweetwater Authority allowed water service to continue under public ownership without interruption. The agreement also permitted water infrastructure within the City of National City and the South Bay Irrigation District to be purchased with public bonds guaranteed by the ratepayers of both agencies.*

**DETERMINATION 4: COST AVOIDANCE OPPORTUNITIES**

LAFCO's role in encouraging efficiently provided public services depends, in part, on helping local agencies explore cost avoidance opportunities. The municipal service review explored cost avoidance opportunities including, but not limited to: (1) eliminating duplicative services; (2) reducing high administration to operation cost ratios; (3) replacing outdated or deteriorating infrastructure and equipment; (4) reducing inventories of underutilized equipment, building, or facilities; (5) redrawing overlapping or inefficient service boundaries; (6) replacing inefficient purchasing or budgeting practices; (7) implementing economies of scale; and (8) increasing profitable outsourcing.

**REGIONAL:**

- Determination 4.0** The region's service providers participate in multiple cooperative programs to maximize resources and avoid costs.

*Each of the region's service providers participates in numerous agreements for joint ownership of regional facilities and maximizes cost savings by sharing other resources.*

**LOCAL:**

- Determination 4.1** The Lemon Grove SD should evaluate how to avoid costs from spills and damage claims.

*Among the region's sewer agencies, the Lemon Grove SD has the highest incidence of spills and the highest level of damage claims. Possible areas to review that might lead to cost avoidance include: pursuing long-term debt to finance system upgrades and merger of the District with the City of Lemon Grove to gain fiscal flexibility.*

- Determination 4.2** The City of Chula Vista, Otay WD, and Spring Valley SD should pursue strategies for cost avoidance when planning for extension of services to the Otay Ranch parcels 13 and 14.

*Opportunities may exist to cooperate in joint provision of public services to the Otay Ranch area. The City of Chula Vista, the Otay WD, and the County of San Diego, through the Spring Valley SD, should work together to avoid duplicating infrastructure and operation costs.*

- Determination 4.3** There may be opportunities for the Otay WD and the City of San Diego to cooperate in constructing and maintaining infrastructure and providing services to Brown Field and other parcels within the City and avoid costs associated with developing duplicative services.

*The Otay WD currently provides service by contract to Brown Field. The City may construct duplicative infrastructure in this and neighboring areas and a joint City/District review should address how cooperative service provision could result in reduced public costs.*

**DETERMINATION 5: OPPORTUNITIES FOR RATE RESTRUCTURING**

When applicable, the municipal service review will review agency rates, which are charged for public services, to examine opportunities for rate restructuring without impairing the quality of service. Agency rates will be scrutinized for: (1) rate setting methodologies; (2) conditions that could impact future rates; and (3) variances among rates, fees, taxes,



charges, etc., within an agency. Service reviews may identify strategies for rate restructuring that would further the LAFCO mission of ensuring efficiency in providing public services.

**REGIONAL:**

**Determination 5.0 Enterprise fees for water service within the region relate to the cost of producing and delivering water services.**

*Agencies may impose fees or rates for services provided that charges are reasonably related to the cost of producing and delivering services. The region's water service providers make rate decisions by using computerized formula-driven models that project costs over time and calculate the corresponding income that must be recovered. Base rates for water services within the region vary across the four water service providers because rates reflect variances that occur in fixed costs. Base rates also vary because agencies incorporate dissimilar factors of service delivery within the rate. For example, agencies may spread pumping costs evenly across all consumers by including an energy cost component in base rates, while other agencies impose a surcharge to consumers within specific zones for zone specific energy costs.*

**Determination 5.1 The region's water rates are structured to reward low water consumption.**

*The region's water agencies impose graduated rates that incrementally increase as units of consumption increase; consumers are offered incentives to conserve each time a unit rate increases.*

**Determination 5.2 Enterprise fees for sewer services within the region relate to the cost of producing and delivering sewer services.**

*Rates for sewer services within the region vary to reflect local circumstances such as topography and pumping requirements and access to alternative funding for infrastructure improvements. Sewer charges also reflect individual agreements with METRO. Agencies may impose fees or rates for services provided that charges are reasonably related to the cost of producing and delivering services. The region's sewer service providers make rate decisions by using computerized formula-driven models that project costs over time and calculate the corresponding income that must be recovered. If alternative revenue sources, such as connection fees are not available, fee income must also provide revenue for improvements.*

**Determination 5.3** It is reasonable to assume that the region's sewer agencies will be required to implement significant future rate increases.

*The City of San Diego is building new facilities to comply with Federal requirements for increased treatment of wastewater prior to discharge into the ocean outfall. City costs will be passed through to member agencies in increased METRO fees.*

**Determination 5.4** The region's water and sewer agencies pose appropriate internal variations in rates.

*All agencies report that internal variances in rates occur only under the authority of policies that permit the creation of zones where geographically specific costs can be recovered from customers receiving benefits.*

**Determination 5.5** During the reporting period, the region's water agencies implemented rate increases that were generally below or marginally above increases for the same period in the San Diego County Consumer Price Index.

*Rate increases within the Helix WD, Otay WD, and Padre Dam MWD for the study period were below San Diego County Consumer Price Index (CPI) increase. The Sweetwater Authority implemented two increases in 2001 that brought rates approximately five points above the CPI. Increased agency costs were given as explanation of rate increases.*

**Determination 5.6** The region's water and sewer agencies utilize discretionary funds to periodically stabilize consumer rates.

*Unrestricted net assets are periodically used to lower effective commodity rates and insulate consumers from increasing costs or temporary cost spikes. Local governments are not required to maintain a fund specifically for rate stabilization. Any unrestricted net asset may be utilized to moderate effective rates through depressing rising rates, issuing billing credits, or distributing direct refunds. The City of Chula Vista utilizes an Operating Reserve Fund to stabilize sewer rates; the Lemon Grove SD maintains a single designed fund for both operation and rate stabilization reserves; and the Spring Valley SD relies on undesignated net assets and the operating budget component of the replacement reserve to meet cost increases. Each of the region's water agencies maintains discrete funds for rate stabilization, although other discretionary funds have also been used for rate stabilization purposes.*

**LOCAL:**

- Determination 5.7** The Helix WD, Padre Dam MWD, and Sweetwater Authority do not impose differential base rates among classes of water users; The Otay WD has three categories of water user charges.

*The Helix WD, Padre Dam MWD, and Sweetwater Authority charge all classes of customers the same base rate; The Otay WD imposes higher base charges on commercial and agricultural connections than on residential connections.*

- Determination 5.8** The City of Chula Vista sewer department and the Lemon Grove SD implemented sewer rate increases during the reporting period that significantly raised customer costs; the Padre Dam MWD had a small fee increase; no sewer increases were implemented by the Spring Valley SD and Otay WD.

*The City of Chula Vista had a net increase in sewer charges of 18 percent over three years. The Lemon Grove SD imposed net rate increases over three years of 46.3 percent; the Padre Dam MWD increased sewer fees 6.9 percent.*

**DETERMINATION 6: OPPORTUNITIES FOR SHARED FACILITIES**

Public service costs may be reduced and service efficiencies increased, if service providers develop strategies for sharing resources. For example, service providers in San Diego County currently share communication centers, wastewater treatment facilities and distribution lines. Sharing facilities and excess system capacity decreases duplicative efforts, may lower costs, and minimizes unnecessary resource consumption. The service review inventories facilities within the study area to determine if facilities are currently being utilized to capacity and whether efficiencies can be achieved by accommodating the facility needs of adjacent agencies. Options for planning future shared facilities and services are also considered.

**REGIONAL:**

- Determination 6.0** There is no inventory of excess capacity in water or sewer systems within the region.

*Agencies in the region generally report that capacity is appropriately sized for current, seasonal, or emergency needs. The Helix WD reports potential to share space in one district water storage tank; the City of Chula Vista set has limited excess capacity planned into the Salt Creek Sewer Interceptor.*

- Determination 6.1** The region's water agencies participate in sharing facilities through system interconnections.

*The region's water agencies maintain agreements that inter-connect distribution systems to create infrastructure redundancies and allow water supplies to be moved among agencies in an emergency.*

**Determination 6.2** The region's water agencies participate with SDCWA to jointly develop capital-intensive facilities.

*SDCWA and the region's water agencies participate in developing such regional facilities as the R.M. Levy Water Treatment Facility and related distribution systems, which provide treated water to agencies within the region.*

**Determination 6.3** The region's sewer agencies participate in funding improvements to the Metropolitan Wastewater System (METRO).

*The City of San Diego is building facilities to comply with Federal requirements for increased treatment of wastewater prior to discharge into the ocean outfall. City costs for construction will be passed through to member agencies in increased METRO fees.*

**LOCAL:**

**Determination 6.4** The Helix WD, Otay WD, and Padre Dam MWD participate in a collaborative system to share resources.

*The Helix WD, Otay WD, and Padre Dam MWD participate with four other East County water agencies in a Shared Resources Group that collaborates on common issues and maintains an equipment cooperative. Under this agreement, the participating districts share staff, equipment, and information to reduce mutual costs and maximize resources.*

**DETERMINATION 7: GOVERNMENT STRUCTURE OPTIONS, INCLUDING ADVANTAGES AND DISADVANTAGES OF CONSOLIDATION OR REORGANIZATION OF SERVICE PROVIDERS**

The Municipal Service Review provides a tool to comprehensively study existing and future public service conditions and to evaluate organizational options for accommodating 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 finding, LAFCO, local agencies, and the public may subsequently use service reviews to pursue changes to services, local jurisdictions or spheres of influence. LAFCOs may examine efficiencies that

could be gained through: (1) functional reorganizations within existing agencies; (2) amending or updating spheres-of-influence; (3) annexations or detachments from cities or special districts; (4) formation of new special districts; (5) special district dissolutions; (6) mergers of special districts with cities; (7) establishment of subsidiary districts; or (8) any additional reorganization options found in Govt. Code § 56000 et. Seq.

**REGIONAL:**

**Determination 7.0 The region's water system is de facto consolidated under an umbrella of the San Diego County Water Authority (SDCWA).**

*Each of the region's water service providers is a member agency of SDCWA. Although each agency has developed alternative water sources, each depends on SDCWA as its primary source of supply. SDCWA sets standards for emergency planning; partners in development of regional storage and treatment facilities; and generally performs many of the functions of an umbrella agency. Member agencies may not provide water service beyond SDCWA boundaries.*

**Determination 7.1 The region's sewer service is de facto consolidated under an umbrella of the Regional Wastewater Disposal Agreement.**

*Each of the region's sewer service providers is a member of the Regional Wastewater Disposal Agreement enacted between the City of San Diego and the agencies discharging wastewater in the Metropolitan Sewerage System (METRO). The agreement sets policies, procedures, establishes fees for discharging into the system, and establishes the capacity allocated to each member agency. Ancillary wastewater treatment facilities in the region are not sized to replace METRO facilities and it is unlikely that reliance on METRO will decrease.*

**Determination 7.2 The region's sewer agencies may want to investigate whether de facto consolidation under special legislation could provide benefits.**

*Special legislation in 1992 (SB 1225) created the San Diego Area Wastewater Management District as an umbrella agency for the METRO system and contract agencies. Participants were unable to reach consensus on voting rights and the District was never activated. Rising METRO costs may be reason for the region's sewer agencies to encourage all contract agencies to revisit SB 1225.*

**LOCAL:**

- Determination 7.3 Sphere of influence updates for the South Bay ID, Otay WD, and the City of Chula Vista should include conclusions regarding appropriate boundaries of water service providers within the area.**

*Boundaries of the South Bay ID, under the auspices of the Sweetwater Authority, and the Otay WD overlay the City of Chula Vista. These agencies are the primary water service providers to the City, as well as surrounding unincorporated areas. The City of Chula Vista, like a majority of cities in San Diego County, does not provide water service. MSR determinations 1.0, 1.1, 1.2, 1.3, 3.3, and 7.0 indicate that, overall, the current configuration of the region's water agencies provides a structure that supports adequate potable water service. MSR determinations should be incorporated into sphere update studies that will establish appropriate service boundaries for the involved agencies.*

- Determination 7.4 Proposals submitted to LAFCO for reorganization of the Otay WD would need to examine alternative reorganizations.**

*Proposals to reorganize the Otay WD and transfer all or part of District water responsibility to the City of Chula Vista would require a comprehensive review of alternative reorganizations. Reorganization possibilities include consolidating the water service responsibility of both the Otay WD and the South Bay ID under City authority; consolidating water service within the City under the South Bay/Sweetwater Authority; and consolidating water service within the City under the Otay WD.*

- Determination 7.5 The City of Chula Vista, the County of San Diego, the Sweetwater Authority, the Otay WD, and the City of San Diego are encouraged to establish a sub regional governance planning committee to resolve water and sewer service issues.**

*The Southern San Diego County area will continue to experience high growth. It is imperative that the limited-purpose agencies that will provide public services and the general-purpose agencies that control growth patterns cooperate in planning to ensure that services will be available when needed. Enormous amounts of capital resources will be required to provide the regional infrastructure; agencies must overcome parochial viewpoints and develop a united regional plan to develop and maintain services.*

- Determination 7.6 The wholesale water relationship between the Padre Dam MWD and the Lakeside and Riverview Water Districts should be evaluated for efficiency.**

*The Padre Dam MWD boundary encloses the Lakeside and Riverview Water Districts. Neither of the two smaller water districts has a water supply source; each depends on the Padre Dam MWD for wholesale supply. Reorganizing the three agencies to remove a wholesale supply layer, eliminate boards of directors, and reduce redundant programs and staffing could produce efficiencies. Discussions among the three agencies have been initiated and reorganization will be studied in conjunction with an MSR and sphere study specific to these agencies.*

**Determination 7.7 Responsibility for water service in isolated areas along the boundary between the Helix WD and the Padre Dam MWD should be evaluated for efficiency.**

*Reorganization of territory between the Helix WD and the Padre Dam MWD may be appropriate if infrastructure and topography in reorganized areas would increase water service efficiencies.*

**Determination 7.8 Responsibility for water service in isolated areas along the boundary between the Otay WD and the Padre Dam MWD should be evaluated for efficiency.**

*Reorganization of territory between the Otay WD and the Padre Dam MWD may be appropriate if infrastructure and topography in reorganized areas would increase water service efficiencies.*

**Determination 7.9 Responsibility for sewer service in isolated areas along the boundary between the Otay WD and the Padre Dam MWD should be evaluated for efficiency.**

*Reorganization of territory between the Otay WD and the Padre Dam MWD in the unincorporated Crest area may be appropriate if infrastructure and topography in reorganized areas would increase sewer service efficiencies.*

**Determination 7.10 Transferring the sewer service function of the Otay WD to the Spring Valley SD should be evaluated.**

*Sewer service responsibility in the Jamacha Basin is split between the Otay WD and the Spring Valley SD and consolidation of service responsibility under one agency should be evaluated. The Otay WD, which provides sewer service to a very limited area, does not have sufficient excess capacity to assume a larger service area. The Otay WD has approached the Spring Valley SD in the past regarding consolidating sewer function under the Spring Valley SD and the potential to gain efficiencies by reorganization should be evaluated.*

**Determination 7.11 County sewer facilities within the Otay WD should be reviewed.**

*The County of San Diego has formed a sewer maintenance district within the boundaries of the Otay WD. The “East Otay Mesa Sewer Maintenance District”(EOMSMD) provides a mechanism to develop infrastructure and extend services to an unserved area without LAFCO approval. The EOMSMD lies just north of the Mexican-United States border and is entirely within the Otay WD. It is unclear what level of funding is available; however, before moving forward, the County should cooperate with other agencies in the area to form a regional strategy for providing sewer service.*

**Determination 7.12 Responsibility for sewer services in isolated areas along the boundary between the Otay WD and the City of El Cajon should be evaluated for efficiency.**

*Reorganization of territory between the Otay WD and the City of El Cajon may be appropriate if infrastructure in reorganized areas would increase sewer service efficiencies.*

**Determination 7.13 A sphere of influence update study for the Otay WD should evaluate extension of Otay WD service into the City of San Diego.**

*The Otay WD currently provides extra-territorial water service to the Brown Field Municipal Airport within the City of San Diego. The City does not currently have infrastructure in the area but is reported to be planning to extend city water service in the near future. The Otay WD indicates that efficient service is being provided from existing District infrastructure. Similarly, the Otay WD suggests that efficient service could be extended to the Dennery Ranch Project, also within the City. Neither area is within the Otay WD sphere of influence.*

**Determination 7.14 A sphere of influence update study for the Lemon Grove SD should review potential merger of the District with the City of Lemon Grove.**

*The Lemon Grove SD is a dependent limited-purpose agency; the City of Lemon Grove City Council performs as the District Board of Directors. All District territory is within the City, except limited road-right-of-way areas; however, not all City territory is within the District. The District, which has limited emergency provisions and a higher than average record of spills, is the only agency within the region that relies exclusively on pay-as-you-go funding from fees to finance system improvements. A District/City merger could permit City support for long-term debt to finance system upgrades. District/City merger would also remove obstacles to extending sewer service to parcels within the City that are not currently within the District boundary.*



**Determination 7.15** The spheres of influence and boundaries of agencies providing extra-territorial sewer service should be reviewed to assess whether more straightforward organization is possible.

*The Lemon Grove SD provides approximately 1,600 EDUs to areas outside the District's boundary and anticipates extending service to an additional 229 residential units within the City of La Mesa. The City of Chula Vista provides extra territorial sewer service but is unable to provide details on the number or location of connections. These arrangements were undoubtedly the best solutions at the time they were undertaken, but should be evaluated for the complexity that is added to the region's service network and the extent that customers are not enfranchised in the system.*

**Determination 7.16** The City of Chula Vista should conduct an audit of extra-territorial services.

*The City provides extra-territorial sewer services, but is unable to provide information regarding the number or location of service connections.*

#### **DETERMINATION 8: EVALUATION OF MANAGEMENT EFFICIENCIES**

Management efficiency refers to the effectiveness of an agency's internal organization to provide efficient, quality public services. Efficiently managed agencies consistently implement plans to improve service delivery, reduce waste, 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 service review evaluated management efficiency by analyzing agency functions, operations, and practices—as well as the agency's ability to meet current and future service demands. Services are evaluated in relation to available resources and consideration of service provision constraints.

##### **REGIONAL:**

**Determination 8.0** Each agency in the region receives an annual independently-conducted auditors' report.

*An independent auditor's report, conducted in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States are routinely completed by each of the region's agencies.*

**Determination 8.1** There are no mandatory standards for determining appropriate levels of reserves (unrestricted net assets).

*Neither, the California Constitution, State Statutes, the State Controller, or county auditors provide standards upon which decision-makers may rely in determining levels of reserves to maintain.*

**Determination 8.2** The region's agencies should review and update policies for retention and use of reserve funds. Agencies are encouraged to adopt policy to guide official decisions and disclose reserve fund actions.

*While there is no accepted model to determine appropriate levels of reserve funds, there is a widely accepted belief that decisions concerning reserves should be shaped by policy guidelines to help decision-makers discriminate among many fiscal choices and to facilitate public understanding of how decisions are made. The GFOA recommends that policies include a timeframe and specific plans for increasing or decreasing reserve levels if fund balances are inconsistent with adopted policy.*

**Determination 8.3** Privatization is used throughout the region to provide cost savings.

*Each of the region's agencies reports using outside consultants or contractors to provide services such as billing, landscaping, and janitorial services in order to realize cost savings. Some agencies have entire systems outsourced, such as the County of San Diego's Information Services.*

**Determination 8.4** Management-to-staff ratios within the region are reasonably low.

*Management-to-staff ratios within the region vary from one percent at the Sweetwater Authority to seventeen percent within the City of Chula Vista sewer department. The Otay WD and Padre Dam MWD—agencies with both sewer and water responsibility and high growth rates—have the region's median ratio of 12 percent. Privatization, which depresses staff levels, obscures total labor resources of agencies.*

**Determination 8.5** The region's record of employee turnover is reasonably stable.

*Rates for termination, resignation, and retirement within the three-year reporting period are reasonably consistent within each agency. The Lemon Grove SD experienced zero turnover; other agencies experienced turnover rates of two and three percent over three years. The Otay WD experienced the highest turnover rates at six, ten, and fourteen percent. This turnover rate has had short-term impacts to the overall management efficiency of the Otay WD; however, external, regional impacts appear to have been less significant.*

## LOCAL

- Determination 8.6** The City of Chula Vista sewer department has not adopted policies for retaining minimum or maximum reserve levels.

*The City of Chula Vista's sewer department follows an informal practice to "...attempt to accumulate and maintain an operating reserve level sufficient to cover several months of normal operating expense." The operating reserve serves as a rate stabilization fund.*

- Determination 8.7** The Spring Valley SD follows policies regarding expansion and replacement reserves, but does not have policy to maintain specific reserves for rate stabilization purposes.

*Policy for replacement reserves provides funding for fifty percent of the District's annual operating budget. The district does not maintain a specific fund for rate stabilization—preferring to rely upon the operating budget component of the replacement reserve and an undesignated fund balance to meet cost increases.*

- Determination 8.8** The Sweetwater Authority establishes reserves by Board action.

*Designated reserves, including a named rate stabilization fund, are established within the Sweetwater Authority by Board action but are not guided by policy.*

- Determination 8.9** Legal expense within the Otay WD significantly increased during the three-year reporting period.

*Legal expense within the Otay WD more than doubled within the reporting period. There is no evidence that high legal expenditures have obstructed the District's ability to provide efficient services; nevertheless, cost containment to bring legal costs within range of other high-growth water agencies should be emphasized.*

- Determination 8.10** There are indicators that the Otay WD could increase management efficiency.

*Although MSR determinations recognize water and sewer services within the region as adequate, there are indicators that The Otay WD could increase management efficiency. The District's employee turnover rates and legal expense exceed the experience of other high growth agencies in the region and the District should develop corrective programs to reduce costs.*

- Determination 8.11** Cost accounting practices within City of Chula Vista's sewer department, Lemon Grove SD, and Spring Valley SD should be reviewed.

*The City Attorney Offices for the City of Chula Vista and City of Lemon Grove and the County Counsel Office for San*

*Diego County provide legal services to the City of Chula Vista sewer department, Lemon Grove SD, and Spring Valley SD respectively. These agencies reported legal costs that were remarkably lower than legal costs for other agencies within the region. Each of the parent organizations should review their billing/cost recovery practices to ensure that costs for legal services are correctly allocated.*

- Determination 8.12** The County of San Diego, as parent agency of the Spring Valley SD, and the City of Chula Vista, have definitive policies regarding the role of elected officials and communications between elected officials and employees. Policies include enforcement mechanisms to address misconduct.

*The City of Chula Vista Charter prohibits involvement of elected officials in administrative matters of the City. The Charter addresses misconduct, as "...a violation for which the offending member may be removed from office by the Council." The County of San Diego Charter contains a provision prohibiting a member of the Board of Supervisors or a member of a supervisor's staff from interfering with any employee. Violations are an infraction and constitute misconduct in office that is enforceable by the District Attorney.*

- Determination 8.13** The Otay WD is encouraged to develop programs that will reduce employee turnover.

*The Otay WD experienced the highest rates of turnover in the region. Retention of trained employees is generally a strategy for containing costs and the District is encouraged to review its personnel practices to find ways to reduce turnover.*

- Determination 8.14** The Otay WD is encouraged to develop programs to measure and address employee satisfaction.

*Four current or former employees of the Otay WD submitted testimony concerning their work experiences at the District. The claims involved purported individual harassment and were not linked to the provision of District services. Otay WD employees appear to actively use the District's grievance process, nonetheless, personnel issues which, for whatever reason, remain unresolved could have a toxic effect on the organization that obstructs the District's ability to provide efficient services. The District is encouraged to engage outside professionals to survey organization behavior modalities; to create forums for discussion between employees and management; and to regularly measure employee satisfaction.*

- Determination 8.15** The Helix WD, Otay WD, Padre Dam MWD, and Sweetwater Authority should refine policies outlining the roles of elected officials and

**communication between officials and employees to include enforcement mechanisms to address misconduct.**

*The Helix WD, Otay WD, Padre Dam MWD, and Sweetwater Authority have policies implementing various degrees of protocols that elected officials must follow in interactions with district employees; however, none of the policies include mechanisms to address misconduct.*

**Determination 8.16 The Sweetwater Authority should evaluate communication protocols within its Board Committees.**

*The Sweetwater Authority operates under a system of committees. Each committee is staffed by three board members who meet with management and staff to discuss agenda items and form recommendations to the Board concerning policy and finance issues. The Authority should confirm that the Committee system does not present opportunity for violation of the Brown Act or official-employee roles.*

**Determination 8.17 It is unclear whether policy adopted by the City of Lemon Grove regarding the role of elected officials and communications between officials and employees apply to the Lemon Grove SD.**

*A description of the City's organization is published on the City of Lemon Grove website, however, it is unclear whether mechanisms to address misconduct are contained in City policies or whether policy—if present—extends to the Lemon Grove SD. The City is encouraged to review and update appropriate policies for both the City and the Sanitation District.*

**Determination 8.18 Information submitted to LAFCO in association with the Southern San Diego County Water and Sewer Service MSR, which does not pertain to the provision of services in the region should be referred to the Public Employees Relations Board (PERB) or other appropriate agencies.**

*One current and three former employees of the Otay WD submitted information to LAFCO regarding their individual experiences at the District. The information does not appear to present evidence regarding deterioration in the level of services provided by the Otay WD. According to San Diego LAFCOs adopted policy for conducting and using municipal service reviews, data that is determined to pertain to areas outside of LAFCO's purview should be referred to other regulatory agencies. The MSR will be submitted to the Grand Jury, District Attorney, and Fair Political Practices Commission.*

**Determination 8.19 Sewer service rates within the City of Chula Vista significantly increased during the three-year reporting period.**

*Sewer service rates in the City of Chula Vista were increased three times within the MSR reporting period to total 18 percent. The City states that it retains excess capacity in METRO; moreover, unrestricted sewer reserves for the reporting period exceeded total sewer service revenue. The City is encouraged to evaluate the need for such extreme rate increases in the light of its apparent resources.*

**Determination 8.20 Sewer service rates within the Lemon Grove SD significantly increased during the three-year reporting period.**

*Sewer service rates in the Lemon Grove SD increased three times within the MSR reporting period to total 46.3 percent. Unrestricted reserves, which could be utilized for rate stabilization, equaled approximately 30.4 percent of total sewer service revenue during the same period. The District is encouraged to evaluate policy decisions regarding the retention and use of reserves and its procedures for using rate stabilization funds, which could lessen the need for extreme rate increases.*

**DETERMINATION 9: LOCAL ACCOUNTABILITY AND 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.

**REGIONAL:**

**Determination 9.0 The region's agencies limit their activities to services authorized by state charter or principle act. Services are extended beyond boundaries only when lawful.**

*No incidence of an agency engaging in an activity that is not delineated in its principle act was reported. The City of Chula Vista, as a charter city, has flexibility in providing numerous services, but like special districts must generally gain LAFCO approval to provide extra-territorial service.*

**Determination 9.1 The region's agencies comply with requirements for conducting public meetings.**

*Each agency holds regularly scheduled public meeting that are held at established times. Agendas are posted 72 hours in advance and mailed to local newspapers, other public agencies, and individuals on mailing lists. Public comment periods are provided as prescribed by State Law. One incidence of a Brown Act violation was reported by the Otay WD.*

**Determination 9.2** **The region's water agencies generally maintain outreach programs to inform and engage the public; however, elections are generally characterized by low voter turnout and agencies should redouble their efforts to engage the public.**

*Various methods, such as websites, newsletters, and bill inserts are used by the region's agencies to increase visibility and engage the public in agency activities. Nevertheless, less than one-half of all eligible voters participated in recent elections more than 65 percent of the time. The lowest rates of voter involvement occurred in elections for the City of Lemon Grove City Council and the San Diego County Board of Supervisors—the parent agencies for the dependent Lemon Grove and Spring Valley Sanitation Districts. All agencies in the region should evaluate the effectiveness of their public outreach programs in promoting voter awareness and involvement. It is acknowledged that Spring Valley SD voters represent a very small subdivision of County voters and programs to specifically engage Spring Valley SD voters would be of uncertain value to Spring Valley SD residents.*

**Determination 9.3** **The regions special districts should redouble recruiting efforts for candidates for board of directors seats.**

*Within the reporting period, multiple candidates ran for election to council positions within the Cities of Chula Vista and Lemon Grove. During the same period however, nine candidates for election to the region's special districts ran unopposed.*

**Determination 9.4** **The region's special districts should require elected officials to confirm residency and, if applicable, landowner status.**

*Special district officials are required to be registered voters within the district division where they reside. Elected officials within the Helix Water District and the South Bay ID must be registered voters **and** landowners within their district division. The Registrar of Voters has historically required all candidates for office to sign affidavits declaring appropriate residency. Since 2002, candidates for Irrigation Districts and California Water Districts have been required to sign declarations of residency **and** landownership. Nonetheless, individuals installed in office in the Otay WD*

*and the Helix WD did not meet residency and/or landownership requirements. Removing these individuals from office was costly and disruptive to agency affairs.*

*It is possible that officials in other special districts fail to meet the requirements of office. Agencies should confirm that all current elected officials are qualified to hold office. Newly elected board members should be required to immediately verify residency and/or landownership status—for example, as a condition of enrollment in benefit programs.*

**LOCAL:**

**Determination 9.5 The Otay WD should require board members, management, and District staff to participate in training regarding the Ralph M. Brown Act.**

*The Otay WD was the only agency to report Brown Act violation during the MSR reporting period. The first violation occurred for closed meetings violations in November and December of 2000; the District Board rescinded actions taken at the meetings in January 2001. The second violation occurred in April 2001, when the Board acted on agenda items that were added to the meeting agenda without unanimous approval. The Superior Court issued a permanent injunction declaring the actions invalid and in violation of the Brown Act. Materials submitted to LAFCO also suggest that some District personnel do not recognize official District communication policies and expect to directly contact Board members with grievances. Accordingly, the District should provide appropriate training to ensure universal compliance with the Brown Act.*

**Determination 9.6 City of Chula Vista voters control the agenda of the Otay WD and the South Bay ID.**

*The City of Chula Vista is layered over the Otay WD and the South Bay ID. Population density is skewed toward those divisions of the two water agencies lying within the City. Accordingly, the majority of registered voters in each water agency are also registered voters within the City.*

**Determination 9.7 The organization of water service under the Sweetwater Authority is not generally understood.**

*The Sweetwater Authority is a joint powers authority (JPA), formed by a joint powers agreement between the City of National City and the South Bay Irrigation District. The Authority is a legal entity, separate from either of its parent agencies; however, the Authority's entitlement to imported water from SDCWA flows through the City of National City and the*



*South Bay Irrigation District. The Authority's governing board members are not directly elected; members are appointed from the District Board and the City. The general concept of a JPA and the specific water delivery schema of the Sweetwater Authority are not generally understood. The Authority should take extra measures to provide public information regarding its organization.*

- Determination 9.8** **The City of Chula Vista and the Otay WD should negotiate an agreement regarding the long-term provision of water service within the City.**

*An agreement between the City of Chula Vista and the Otay WD, which establishes the District as water service provider within the City and areas that may annex to the City, expires in 12 years. Efficient provision of water services requires planning and investment for the long-term. Accordingly, the issue of water service within the service area should be stabilized by long-term agreement.*

- Determination 9.9** **The Sweetwater Authority should promote understanding of the organization's structure and responsibility.**

*Voters within the South Bay ID and the City of National City decide the composition of the Sweetwater Authority's Board of Directors; however, the Authority is a legal entity separate from either the City or the District and its organization is not commonly understood. The Authority should take measures to foster understanding of the organization's structure, representation, and scope of responsibility.*

- Determination 9.10** **The dependent Lemon Grove SD should implement programs to make the agency more visible and accessible to the public.**

*The Lemon Grove SD should develop a mission statement. Information regarding the District's structure and responsibility should be prominently placed on the City's website within a location that is dedicated exclusively to the District. Other media, such as newsletters, to increase public awareness of the District should also be considered.*

- Determination 9.11** **The dependent Spring Valley SD should implement programs to make the agency more visible and accessible to the public.**

*The Spring Valley SD web page is a sub-page on the County of San Diego website. Web information regarding the County Sanitation Districts is minimal and obscured under layers of County of San Diego and Department of Public Works information.*

## MSR DATA SUMMARY

---

### Section A: INFRASTRUCTURE, FACILITIES, and SERVICES

*1. How are infrastructure needs determined? Provide copies of capital improvement and master plans that address infrastructure.*

**City of Chula Vista (sewer only)** uses its 1991 growth management program to assess and predict future sewer services needs, including an annual Growth Management Oversight Commission (GMOC) assessment and a threshold standard for sewer service. The City prepared a Wastewater Master Plan in 1989 and in 2002 issued a Request-for-Proposals to prepare an updated Plan.

**Helix WD** is 95% built-out and infrastructure needs generally consist of maintenance and repair of existing facilities. Infrastructure needs are evaluated using information from staff and databases regarding existing condition of infrastructure. In FY 00-01, the District ended a four-year, \$90 million Capital Improvement Program.

**Lemon Grove SD** prepared a wastewater rate update and long range planning study, as well as a Wastewater Capital Improvement Program in 1999. These documents form the basis for determining current infrastructure needs. The District keeps a record of emergency calls and, since 1989, has been videotaping the entire sewer system to assess areas needing repair that will be placed on the next capital improvement list.

**Otay WD** adopted Board Policy No. 6 in 1984 (revised in 1997), which requires the District to adopt a Water Resources Master Plan (WRMP) for both potable and recycled water every five years. The WRMP will identify the Capital Improvement Program (CIP) projects required for ultimate development. The policy states that the CIP should utilize the most recent WRMP and shall be divided into three phases: Phase 1 addresses a 1-5 year time frame; Phase 2 addresses a 6 to 15-year time frame; and Phase 3 from 16 years to build-out. The District adopted a Master Plan in 1995 and staff prepared a Draft Master Plan in January of 2002.

The District also prepares sub-area master plans in conjunction with developers that outline the detailed infrastructure needs for specific developments. Since 1990, the District has prepared 19 Sub-Area Master Plans for wider service.

The District operates and maintains the sewage collection system serving Rancho San Diego, Singing Hills and portions of Mount Helix. The City of Chula Vista and the County of San Diego provide sewer service within the remainder of

the District's territory. The Otay WD does not have a Master Plan for sewer facilities due to the limited size and build-out of the system; however, the District utilizes sub-area plans for specific developments to determine infrastructure needs for sewer facilities

In supplemental information dated 9/30/02, the Otay WD notes that in 1995 the consulting firm of NBS/Lowry prepared a report, "Wastewater and Recycled Water Optimization Study," which is similar to a sewer system master plan. This study included a sewer collection system capacity analysis and compared cost and rate impacts for sewer disposal and treatment options. The District response also added, "As a result of the study, the Otay WD was able to determine that new capital sewer system facilities for expansion to accommodate growth were not required."

**Padre Dam MWD** prepares master plans every 5-10 years to determine district-wide infrastructure needs. The most recent, an Integrated Facilities Plan (IFP), was adopted in March 2002, and evaluated existing system deficiencies, projected growth, and recommended improvements needed to accommodate growth. The IFP was then used to develop a comprehensive list of prioritized capital improvements through the year 2020.

**Spring Valley SD** currently determines infrastructure needs from operations and maintenance crews, as well as from a previously completed Master Facility Plan. The District is preparing an updated Master Facility Plan that will be completed in July of 2002. The 2002 Plan will form the basis for a five-year capital improvement program.

**Sweetwater Authority** determines infrastructure needs through its Water System Master Plan. The Authority generally updates its master plans every five years and performs a complete review of system and infrastructure needs every ten years. The Authority recently completed their 2002 Master Plan. Previous master plans were completed in 1979, 1985, 1989 and 1994.

*2. Provide schedules for infrastructure replacements and upgrades; explain how schedules are being met.*

**City of Chula Vista (sewer only)** noted that the Poggi Canyon Trunk Sewer upgrades, Telegraph Canyon Trunk Sewer upgrades, and the sewer rehabilitation program would be completed in 2002. The Salt Creek Gravity Sewer Interceptor will be completed in 2003, and the Wolf Canyon Trunk Sewer will be completed in 2005.

In supplemental information dated October 25, 2002, the City of Chula Vista's 2001 Growth Management Oversight Commission report indicates that the City is "... pursuing an aggressive construction program for the Salt Creek Sewer," according to the following schedule:

Phase 1—From Industrial Blvd to I-805: Construction Schedule-July 2001 through June 2002

Phase 2—From Industrial Blvd past I-5 To West Frontage Road: Construction Schedule-October 2002 through April 2003

Phase 3—From Interstate I-805-to Olympic Parkway: Construction Schedule-August 2002 through February 2003

**Helix WD** maintains a ten-year list of capital improvement projects. Annual CIP projects are selected from this list and are monitored monthly.

**Lemon Grove SD** maintains approximately 346,000 feet of pipeline. As noted in the 1997 Lemon Grove SD Financial Plan, these pipes are exceeding their useful, expected life of 50 years. In 1997, the District developed a list of prioritized capital improvements to address the most serious defects in the existing system. A majority of the repairs identified in the 1997 plan will be completed by FY 2003. The District is in the process of soliciting bids for cleaning and videotaping the system not previously repaired or lined. The results of the videotaping will form the basis of the next list of capital improvement projects.

**Otay WD** has a CIP budget for infrastructure improvements/upgrades in FY 2002 that totals \$30 million with \$104 million projected for Phase 1 projects (1-5 timeline). The District provided a schedule for completion of the current CIP projects. Thirty percent of the CIP projects consist of 59 developer projects estimated to total \$10.1 million.

In supplemental information dated 9/30/02, the Otay WD provided additional information clarifying and refining their scheduling and cost of their infrastructure improvement programs. The response stated, "The total CIP estimated expenditure for fiscal year 2002 is \$30,347,000. The estimated expenditure for Phase I CIP projects is \$103,857,000. For fiscal year 2002, the capital facility projects are \$11,977,000, the developer projects are \$10,118,000, and the non-operating expense projects are \$1,852,000. One third of the CIP Project expenditure estimate for fiscal year 2002 consists of 59 developer projects."

**Padre Dam MWD** has arranged all infrastructure replacements, upgrades, and new construction according to the type of project (water, sewer, operations, or park), and has prioritized projects for each year through 2020. The District's Capital Improvement Program Group, comprised of employees from various District departments, oversees the implementation of the annual capital program.

**Spring Valley SD** is preparing an updated Master Facility Plan that will be the basis for a five-year capital improvement program.

**Sweetwater Authority** prepared a Water Master Plan in 2002 that summarized water system facility improvements and projected costs for the next five years. Each year a list of infrastructure improvements is submitted to the Board for approval and funding. Staff of the Authority monitors the projects to ensure completion and quality control.

### *3. How will new or upgraded infrastructure be financed?*

**City of Chula Vista (sewer only)** finances sewer upgrades and improvements through Development Impact Fees and the Trunk Sewer Capital Reserve Fund, which is funded through capacity fees (\$2,200 per dwelling unit) paid by each property owner to connect to the sewer system.

**Helix WD** funds infrastructure upgrades/improvements from annual revenues and from bond sales.

**Lemon Grove SD** finances new and upgraded infrastructure on a pay-go basis from a portion of the sewer service fees.

**Otay WD** has four categories of infrastructure funding: (1) Expansion Funds to support new or future uses and gathered from capacity fees collected when meters are sold; (2) Betterment Funds, designed to correct deficiencies for current users and are funded by bonds, availability fees, property taxes, or other funds as deemed appropriate by the Board; (3) Replacement Funds, designed to replace existing facilities over \$10,000 and are funded through a portion of the monthly user charge, availability fees, and annexation fees; and, (4) Combination Funds, which merge the preceding three types of projects and funding sources. The District also maintains Capital Reserve Funds for each Improvement District that is funded through developer contributions, capacity fees, and interest.

**Padre Dam MWD** budget calls for the use of *pay-go* and debt financing as well as requiring that new infrastructure be constructed and funded by private developers.

**Spring Valley SD** finances new and upgraded infrastructure through sewer service connection fees, annexation fees, grants, loans, and sale of surplus district property.

**Sweetwater Authority** uses a combination of *pay-go* and debt to finance new and/or upgraded infrastructure. In June of 2002, the Authority will issue revenue bonds for \$30 million to refund outstanding revenue bonds, to finance the costs of system improvements, and to fund the bond reserve account to pay for the cost of issuing bonds.

*4. List infrastructure deficiencies; indicate if deficiencies have resulted in permit or other regulatory violations; explain how deficiencies will be addressed.*

**City of Chula Vista (sewer only)** notes two deficiencies in the wastewater system where capacity has exceeded threshold standards. The City reported that both deficiencies are expected to be corrected by 2003.

In supplemental information, dated October 25, 2002, the City of Chula Vista provided copies of the City's 1999, 2000, and 2001 Growth Management Oversight Commission (GMOC) reports. According to the reports, the GMOC provides, "...an independent, annual citywide review of threshold compliance with quality-of-life indicators for eleven public facility and service topics." Among the eleven topics, threshold indicators are included for sewer and water service; notwithstanding that water service is provided to city residents by the Otay WD and the Sweetwater Authority. Threshold findings for 1999, 2000, and 2001 for both city sewer services and district water services were reported, "In compliance."

**Helix WD** has no infrastructure deficiencies that have resulted in permit or regulatory violations.

**Lemon Grove SD** has a 1997 Wastewater Financial Plan and Capital Improvement Program that addresses system deficiencies. No deficiencies were noted that resulted in permit or regulatory violations.

**Otay WD** noted no deficiencies in its potable water system and no permit or regulatory violations. Similarly no deficiencies were noted in the recycled water system although there were three spills from the primary force main. All three spills resulted from failure of air-vacuum release valves and the District replaced all valves in the recycled water system to avoid future problems. The District also reported no deficiencies in its wastewater system; the wastewater system has had three spills since 1996 and none since 1999.

The District did note that it has been subject to Notices of Violation from the San Diego County Air Pollution District for operation of diesel engines and letters from the U.S. Fish and Wildlife Service and the California Department of Fish and Game expressing concern about implementation of mitigation and monitoring programs for specific projects. The District provided copies of letters detailing district efforts to resolve the issues.

In supplemental information dated 9/30/02, the Otay WD notes that the 1996 spills in the wastewater system were due to faulty design by the contractor and all repairs have been made. Otay WD noted, "...these spills did not occur due to infrastructure deficiencies."

**Padre Dam MWD** lists all existing and anticipated infrastructure deficiencies in the CIP schedule included in their Integrated Facilities Plan. Deficiencies have not resulted in any permit or regulatory violations and all existing deficiencies will be replaced or upgraded by 2005.

**Spring Valley SD** noted no current infrastructure deficiencies and no permit or regulatory violations. The Facility Master Plan currently being prepared will identify upgraded or improved infrastructure based on current growth projections.

**Sweetwater Authority** has listed infrastructure deficiencies in the 2002 Master Plan, which notes \$23 million of infrastructure improvements and \$30 million for replacing aging pipelines. Deficiencies have not resulted in any permit or regulatory violations.

5. *Describe capital facilities that are underutilized; explain how underutilized facilities could be shared with other agencies.*

**City of Chula Vista (sewer only)** notes there will be additional capacity in the Salt Creek Gravity Sewer Interceptor when improvements are completed.

**Helix WD** has sized facilities to meet projected demand and engineering standards. Excess capacity at the Levy Treatment Plant was partially funded by SDCWA to ensure continued capacity. The District's Tunnel Hill facilities include a storage tank whose capacity is not fully utilized and could be shared by the Riverview WD.

**Lemon Grove SD** does not have underutilized capital facilities.

**Otay WD** noted that facilities in the central Otay Mesa area have been sized to provide flexibility and potential future capacity in order to supply potable water to the City of San Diego, as needed. The District's 16-inch recycled main along Otay Mesa Road has excess capacity due to a subsequent change in a cooling system installed in the power plant.

In supplemental information dated 9/30/02, the Otay WD noted that generally the existing operating facilities within the Otay WD do not have underutilized or excess capacities except for seasonal excess reclaimed water. The demand for water in the District is down due to reduced agricultural demand but infrastructure and facilities have been sized for the expected ultimate development of the District's service area.

The Otay WD also noted, "The Otay WD entered into an agreement with the City of San Diego dated January 11, 1999, that provides for 10mgd of capacity to the Otay WD from the existing Otay Water Treatment Plant (WTP) capacity. Because of the excess available storage in the Otay Mesa system and the need for a transmission system for the water obtained from the Otay WTP, the District recently completed the construction of a transmission system between the Central area and the Otay Mesa systems. This system, already in operation, permits water to flow in either direction. This facility, known as the Central-Area-Otay Mesa Interconnection Pipeline, is parallel to the SDCWA aqueduct and connects the Otay Mesa System reservoirs with the Central Area System 624 foot elevation reservoirs. This facility has added significant reliability and flexibility to each system and allows for the allocation of the existing excess emergency storage within the Otay Mesa System to the Central Area System. As demands increase on Otay Mesa, the available storage will eventually be dedicated to meet requirements within the Otay Mesa System. The Central-Area-Otay Mesa Interconnection Pipeline will also function as the transmission system for water from the City of San Diego's Otay WTP to either, and/or both, the Central Area and the Otay Mesa Systems. The Planned Lower Otay Pump Station will provide the necessary lift from the Otay WTP."

The District also noted several existing connections with the City of San Diego, which have been designed to increase capacity within both systems. The Otay WD has a connection with Mexico that can supply the City of Tijuana with a maximum 12.9 million gallons per day (mgd). The District noted that its excess capacity is earmarked for future growth of its customers.

**Padre Dam MWD** does not have underutilized or excess water or sewer capacity. It does have excess recycled water available during winter months.

In supplemental information, the District noted, "Previous excess sewer capacity was sold to the City of Poway in FY 2001".

**Spring Valley SD** does not have underutilized capital facilities.

**Sweetwater Authority**'s Perdue Treatment Plant is currently operating at 50%, which allows the Authority to treat surface water in cases of emergency. The Authority notes that its other facilities have been sized for system reliability.

6. *How are service needs forecast?*

**City of Chula Vista (sewer only)** relies on sewer studies required as part of the environmental impact report (EIR) process for new development. Existing developed areas are evaluated through a metering program and periodic videotaping of lines.

In supplemental information dated October 25, 2002, the City of Chula Vista provided its 18-month and 5-year GROWTH FORECAST INFORMATION reports for 1999 and 2000. Both reports state that the "...information will enable City departments and outside agencies to analyze the impacts that forecasted growth may have on their ability to maintain compliance with the City's facility and service Threshold Standards..."

**Helix WD** evaluates sub-areas within the District to determine infrastructure needs by using current and future population projections from SANDAG, service industry consumption rates, and analysis of acreage and zoning of developable land.

**Lemon Grove SD** relies on population forecasts by SANDAG and assessment of buildable and infill potential for increased development that can be served from existing lines.

**Otay WD** forecasts potable water demand from SANDAG land use and population data, the Cities of Chula Vista and San Diego, and the County of San Diego. The District inputs the land use and population data into its Geographic Information System (GIS), plus land use codes and water (potable and recycled) usage rates for each representative land use to determine probable ultimate densities and projected growth.

In supplemental information dated 9/30/02, the Otay WD stated, "Otay WD uses water demand forecasts to project service needs. The data for its forecasts is obtained from land use data from SANDAG, City of Chula Vista, City of San Diego and San Diego County. The land use data consists of Master Plans, Otay Ranch GDP, Specific or Sectional Planning Areas, Community Plans, County and City General Plans and SANDAG. A computer software application is utilized to compile the land use data in GIS form. In order to aggregate and correlate the various land use codes contained in all the various data sources, a set of land use codes has been developed by the Otay WD. Otay WD uses its database to project the ultimate development for the area. Furthermore, Otay WD monitors existing consumption by land use type using the actual monthly meter readings. These readings are then compared to the forecasts and other industry related standards."

**Padre Dam MWD** forecasts service needs through its Integrated Facilities Plan (IFP) process. The IFP uses existing and planned land uses, SANDAG's population forecasts, the District's monitoring of current and future water demands, current and projected sewer flows, groundwater factors, and a market analysis for recycled water.



**Spring Valley SD** forecasts service needs through its Master Plan (currently under preparation), input from operations and maintenance staff, and from County of San Diego and SANDAG population forecasts.

**Sweetwater Authority** forecasts service needs through the Master Plan and notices of new development from local agencies it serves.

7. *How are growth/population projections integrated with plans for future services?*

**City of Chula Vista (sewer only)** uses SANDAG population projections; annual 12 to 18-month and 5 to 7-year projections of development activity; and population increases developed by the planning and building staff to integrate sewer service needs with projected growth.

**Helix WD** evaluates current and future population and consumption rates for each sub-area along with the acreage and zoning of developable land to determine infrastructure needs. The facilities identified are incorporated in the District's 10-year CIP program.

**Lemon Grove SD** serves an essentially built out municipality with some potential for increased infill development that would be served with existing lines and capacity.

**Otay WD** uses SANDAG and other jurisdictional data on growth rates. Since the District's system is functionally separated into areas with varying growth rates among the sub-areas, the District uses an overall growth rate for its WRMP and adjusts those growth rates for sub-areas. Estimates of dwelling units and population of planning areas are also integrated into the WRMP and sub-area plans to determine the need for future services.

In supplemental information dated 9/30/02, the Otay WD provided additional information regarding the District's integration of growth and population projections with future service needs. The response noted since growth rates within the Otay WD vary, projections are developed for separate geographic areas. Growth rates for water demand are also provided.

**Padre Dam MWD** overlays SANDAG's most recent growth and land use projections onto District maps. Since Padre Dam staff has found that SANDAG's estimates have exceeded the District's growth by 1 - 2% each year, the District's projections are five years behind SANDAG's projections. The IFP converted the modified projections into water demand and sewer flows by service area in five-year increments. Since the County of San Diego's proposed General Plan for 2020 would be based on density rather than land use, the District is anticipating reviewing their IFP when the County's General Plan 2020 is adopted.

**Spring Valley SD** See answers to questions 1 and 6.

**Sweetwater Authority** uses its 2002 Master Plan to integrate growth and population projections with future service needs. The Master Plan used the most recent SANDAG estimates, recalculated the projected demands, used revised land use designations, and reduced storage requirements to calculate need.

8. *Provide maps of service areas for services that are provided less-than-agency-wide.*

NOTE: Each agency provided maps of their service areas. LAFCO staff is currently comparing the maps submitted by the agencies with LAFCO databases.

**City of Chula Vista (sewer only)** included a map of the City's sewer service area.

**Helix WD** provides services district-wide.

**Lemon Grove SD** provides services district-wide.

**Otay WD** included a map indicating the District's potable water service area, sewer service area, and recycled water service area.

**Padre Dam MWD** included a map of the District's wholesale, retail water distribution, wastewater collection, and recycled water distribution service area.

**Spring Valley SD** included a map of District's service area.

**Sweetwater Authority** included a map of Authority's service area.

9. *Describe any variance or inequity in levels of service provided to customers. Explain why unequal service levels are present.*

**City of Chula Vista (sewer only)** notes areas in their service area where development has preceded construction of infrastructure. For these areas, the City imposes a gravity basin development impact fee when the development capacity of individual sewage basins has been exceeded.

**Helix WD** does not have any variance or inequities in the levels of service.

**Lemon Grove SD** does not have any variances or inequities in the levels of service.

**Otay WD** does not have any variances or inequities in the levels of service.

**Padre Dam MWD** has some variations in water pressure or fire flows in certain portions of their retail service area. The variations are generally due to topography and the historical development of the District. The eastern service area of Padre Dam MWD includes steep slopes and rural residential development that can adversely affect water pressure due to pumping constraints. Infrastructure built prior to 1960 as part of the original bond funded system, was built according to the fire codes in place at that time, consequently some areas do not meet current fire code pressure requirements.

**Spring Valley SD** does not have any variances or inequities in levels of service.

**Sweetwater Authority** has some variations in water pressure in one area serving approximately 200 homes.

10. *Identify areas within agency boundary, which could be more efficiently served by another agency.*

**City of Chula Vista (sewer only)** noted that the northern portion of the City could be more efficiently served by the Spring Valley Sanitation District, and has entered into an agreement for that District to serve those areas. The City of Chula Vista has also entered into an agreement with the City of San Diego to serve some areas in the southern portion of the City.

In supplemental information dated October 25, 2002 the City of Chula Vista submitted the following revised responses to A10: "The City of Chula Vista notes that along the northern portion of the City, where both the City of Chula Vista and the County of San Diego have adjacent facilities, both agencies have entered into joint use agreements to better utilize their facilities to serve properties in either agency's jurisdiction. Therefore, in some areas where the City has facilities adjacent to County properties, Chula Vista entered into an agreement with the County to serve those properties, in other areas city property is served with county facilities. The City of Chula Vista has also entered into a similar agreement with the City of San Diego to serve some areas in the southern portion of Chula Vista."

**Helix WD** did not identify any areas that could be more efficiently served by another agency, although the District noted that there may be areas along the border with the Otay and/or Padre Dam WDs which could be more efficiently served by one of the other districts in the future.

**Lemon Grove SD** None were identified.

**Otay WD** No areas were identified for potable or recycled water. The District identified two areas where sewer drains toward the City of El Cajon, which might be more efficiently served by the City.

In supplemental information dated 9/30/02, the Otay WD noted that it could more efficiently provide water service to the western portion of Otay Mesa, specifically Brown Field and the area west of Heritage Road. The District also noted that two areas currently served sewer by the Otay WD could more efficiently be served by the City of El Cajon thus eliminating existing sewer lift stations.

In supplemental information dated 11/07/02 the Otay WD noted that suggestions to reorganize the Otay WD based on geographic service areas of the District were unfeasible. Under one suggested scenario, the central portion of the District would be annexed to the City of Chula Vista, the northern portion to the Helix WD, Sweetwater Authority or another agency and the southern portion would be served by the City of San Diego. However, the Otay WD points out, "...any reorganization would have to address the integrated nature of the District's infrastructure system as the current and future infrastructure system has been designed to ensure operational flexibility and reliability throughout the District."

The Otay WD's entire service area for potable water consists of five operating systems located in three geographic locations. Supply connections from the CWA pipeline serve each system.

**Otay WD Potable Water Service Areas**

Service Area	Operating System	CWA Connection	Acres
North	La Presa	11	5,880
	Hillsdale		9,570
	Regulatory		27,440
Central	Central Area	10 and 12	37,700
South	Otay Mesa	13	11,120

Due to topography and development, the northern service area is not currently interconnected with the central or southern service areas for potable water. The central and southern service areas are interconnected by a pipeline, which integrates storage reservoirs in each system and will eventually function as a transmission system for water from the City of San Diego’s Water Treatment Plant (WTP) for both service areas. The Otay WD recently signed an agreement with the City of San Diego for an additional 10 MGD of water from the WTP to meet the CWA’s ten-day emergency storage recommendation.”

“Infrastructure for the reclaimed water system connects the north and central service areas. The Chapman Water Recycling Plant, which is located in the north service area, supplies reclaimed water primarily to the central service area where the infrastructure and demand for reclaimed water is localized.

“The District’s sewer service area is located in the northern geographic area and provides wastewater service to a limited area. The provision of water and wastewater requires extensive capital infrastructure planning and financing. Any potential reorganization of the District would have to ensure that all successor agencies could provide the services more efficiently, cost effectively and without duplication of current and planned infrastructure and facilities.”

**Padre Dam MWD** has identified areas along a common boundary with Helix WD, which are served by Padre Dam due to topography and elevation limitations of Helix WD’s water system. Along the common boundary with the Otay WD, it may be more efficient for the Otay WD to serve some areas with both water and sewer service.

In supplemental information the District noted, “Padre Dam’s service area boundary totally encompasses Lakeside and Riverview Water Districts. Padre Dam provides these retail agencies through a separate wholesale water system of pipes, pumps and reservoirs owned and operated by Padre Dam.”

**Spring Valley SD** None were identified.

**Sweetwater Authority** None were identified.

*11. Identify areas outside agency boundary, which could be efficiently served by agency facilities.*

**City of Chula Vista (sewer only)** noted that Village 14 and the Otay Resort Development of the Otay Ranch could be more efficiently served by the City of Chula Vista's Salt Creek sewer facilities. The City also noted that the City might more efficiently serve some single family residences in the County of San Diego located east of Hilltop Drive and north of East H Street.

**Helix WD** None were identified.

**Lemon Grove SD** noted one 229-lot subdivision, Eastridge (located just north of the District's boundaries), which might be more efficiently served by the Lemon Grove SD due to topography.

**Otay WD** noted that some areas within the Jamacha Basin might be served more efficiently by the District's sewer facilities if additional development within those areas is permitted. The Dennery Ranch and the Brown Field Municipal Airport, located within the City of San Diego, could have been served by existing District facilities. The District also noted that both the District and the Spring Valley Sanitation District currently serve the Jamacha Basin area. The District suggested that placing the Jamacha Basin within the sewer service area of one agency rather than two may be more efficient.

**Padre Dam MWD** provided a map that shows properties outside its current boundary whose owners have contacted the District regarding service or areas that may be more efficiently served by Padre Dam MWD.

**Spring Valley SD** none were identified.

**Sweetwater Authority** noted that it could serve an area of southern San Diego County below 1,200 feet, including the Jamacha Basin between Loveland Reservoir and the Sweetwater Reservoir, and portions of the Spring Valley area within the Sweetwater River Watershed if a water treatment plant was installed at Loveland Reservoir and if an imported water connection were constructed.

*12. Describe proposed or pending development that would require agency services; include a list of anticipated jurisdictional boundary changes, which the proposed development would initiate; provide a map showing location of development.*

**City of Chula Vista (sewer only)** noted that development plans for portions of Village 13 (Otay Resort) and portions of Village 14 (Proctor Valley) have been, or will be, submitted to the County of San Diego. The City noted that the City of Chula Vista might more efficiently serve these developments. In addition, the City of Chula Vista is working with the City of San Diego and the County of San Diego to realign existing boundaries to permit the eventual development of the Otay River Valley Regional Park. The reorganization would include reorganization of territory from both Cities.

**Helix WD** did not identify any areas of pending or proposed development/annexation.

**Lemon Grove SD** noted one 229-lot subdivision, Eastridge (located just north of the District's boundaries) that might be more efficiently served by the Lemon Grove SD due to topography.

**Otay WD** noted that the development of the Otay Ranch General Development Area would require agency services. In supplemental information dated 9/30/02, the Otay WD noted, "The City of Chula Vista has plans to construct a much needed sewer system along the Otay River Valley and the Salt Creek stream bed. In the past the City of Chula Vista has orally indicated that this new sewer transmission system includes projected sewer collection flow rates within the planning and design of the system for the portions of Village 13, known as the Otay Resort located east of the Upper and Lower Otay Reservoirs and for portions of Village 14 located in Proctor Valley. These two areas are currently within the County of San Diego jurisdiction. The County of San Diego could provide sewer service to this area as well. If the County were to build an independent sewage disposal system from that of the City of Chula Vista system, it is probable that new sewer service costs would be higher. Because the City of Chula Vista plans to construct a new sewage transmission system with sufficient capacity there is no need for the County of San Diego to construct an additional disposal system. An agreement between the City of Chula Vista and the County of San Diego could be developed to allow the County to use the new sewer transmission system thus saving capital and operating costs."

**Padre Dam MWD** listed 23 currently proposed or pending development projects in their western service area and 25 residential projects in their eastern service area that have requested Water Availability letters. Also listed six proposed projects that will require jurisdictional boundary change to receive service.

**Spring Valley SD** notes that portions of the Otay Ranch (Village 14) may apply for annexation to the District.

**Sweetwater Authority** did not identify any areas of pending/proposed development or annexation.

*13. Describe joint power agreements or other arrangements for sharing facilities, infrastructure, or services with other agencies.*

**City of Chula Vista (sewer only)** is a part of the City of San Diego's METRO wastewater system and has capacity rights to 19.843 mgd. The City has also entered into agreements with the Otay Water District to bill City residents for both sewer and water through the District's billing system and customers of the Sweetwater Authority are billed through the City's system.

**Helix WD** has several agreements with other agencies for emergency connections, capacity agreements with the SDCWA, and a Memorandum of Understanding among five districts to share services and equipment.

**Lemon Grove SD** has agreements with the City of La Mesa authorizing city connection to the Lemon Grove SD lines, an agreement with the Spring Valley Sanitation District for transport of wastewater, and is a signatory to the Regional Wastewater Disposal Agreement with the City of San Diego.

**Otay WD** has an agreement with the City of Chula Vista for provision of retail water service and with the City of San Diego for collection of sewer service charges, operation of some facilities and for joint use of easements. The District has an agreement with the Spring Valley Sanitation District for joint operation of sewer outfall facilities and is also a participating agency in a JPA with the SDCWA for recycled water.

In supplemental information dated 9/30/02, the Otay WD noted, "Otay WD has a 20-year agreement with the City of Chula Vista for water services. During the time that water service has been provided to the City of Chula Vista, Otay WD has never received a customer complaint or any other type of complaint related to quality of service."

**Padre Dam MWD** is a member of the SDCWA and shares facilities within surrounding agencies through SDCWA. Padre Dam MWD is a member of the *Shared Resources Group of East County*, a group of water agencies in eastern San Diego County, which work together on developing approved standards lists, standardizing specifications and drawings, agreeing on design manuals, preparing strategic plans, cooperating on environmental programs and other collaborative efforts.

**Spring Valley SD** is a signatory to Volume-Contribution Agreement along with the City of La Mesa, the Lemon Grove Sanitation District, the City of Chula Vista and the Otay Water District for the Spring Valley Outfall Sewer line and the Rancho San Diego Pump Station.

**Sweetwater Authority** is a joint power authority comprised of the South Bay Irrigation District and the City of National City. The Authority participates in the six-agency *Shared Resources Services Program*.

*14. Provide the assessor parcel number or address of properties, which are located outside agency boundary and receive agency services; list type of service and date service commenced.*

**City of Chula Vista (sewer only)** will provide the information when available.

In supplemental information dated 10/25/02 the City of Chula Vista noted, "The City has continued working to answer question 14 in section A; however, the billing system used is not capable of sorting bills in a manner that will allow us to determine if a specific property is in or outside the City. However, city GIS staff has embarked on a project to obtain the data and when it is available it will be forwarded to LAFCO."

**Helix WD** listed 15 properties that are located outside the agency boundaries and receive services. Fourteen of the fifteen began receiving service prior to 1979.

**Lemon Grove SD** has served a residential development in the City of La Mesa since 1983 (728 EDU) and an 847 EDU in the City of San Diego since 1947.

**Otay WD** does not serve any parcels outside its boundaries except through exchange agreements as previously noted. The District provides water service to

U.S. Border Patrol facilities at Brown Field via a 1997 agreement with the City of San Diego.

**Padre Dam MWD** has provided a list of seven parcels which are located outside the District and which receive agency services.

**Spring Valley SD** does not serve any parcels outside its boundaries.

**Sweetwater Authority** serves an area of the City of San Diego that includes a 40-unit condo project (service began in 1981), an 83-unit mobile home park (service began in 1981) and a Little League sports area (service began in 1959).

*15. Explain policies or procedures that establish priorities for directing services to infill areas.*

**City of Chula Vista (sewer only)** None were noted.

**Helix WD** is 95% built-out and its services are primarily provided to infill development.

**Lemon Grove SD** serves a built-out area.

**Otay WD** None were noted.

**Padre Dam MWD** uses a portion of its previously collected developer fees (capacity fees) to spread the cost of correcting existing and long-standing infrastructure deficiencies among customers.

**Spring Valley SD** is a dependent District governed by the San Diego County Board of Supervisors. The Board has a policy (I-107) that generally prevents the installation of sewer in areas not annexed to a sanitation district. The Board also has adopted a policy for portions of East San Diego County that discourages extension of sewer service to areas outside the Urban Limit line of the County's current General Plan.

**Sweetwater Authority** serves an area that is approximately 96% built-out. The Authority has no special policies for providing service to infill areas.

*16. Describe provisions for providing services in emergency situations, (i.e., storage capacity, number of days that services can be provided, etc.).*

**City of Chula Vista (sewer only)** has an overflow prevention and response plan that includes a regular cleaning and inspection program and an overflow response plan, which provides procedures for response to any sewer overflow or spill. Sewer facilities constructed more recently, such as the Salt Creek and Wolf Canyon systems, use a remote sewage flow detection system that alerts staff to changes in normal flow rates. The City's Public Works Department monitors this electronic telemetry system with back-up alarm monitoring handled by the City of Chula Vista's Police Department.



**Lemon Grove SD** has no storage capacity but transports all wastewater to the METRO system for treatment.

**Helix WD** has interconnections with surrounding agencies that can supply back up for facilities.

**Otay WD** has interconnections with surrounding agencies that can supply back up for facilities.

**Padre Dam MWD** For water supply and storage capacity, the District's IFP notes that district facilities are able to meet SDCWA's recommended 10-days storage capacity (for planned winter shut downs) without relying on wholesale storage capacity. However, certain system upgrades and improvements should be constructed to ensure the supply capacity also meets the emergency requirements. The District's IFP also assessed various risks and recommended specific actions for mitigating those risks including increased security, purchase of portable generators, reinforced facilities, and other measures. In the event of failure of the District's water reclamation facility, all wastewater flows would be diverted to the METRO system.

NOTE: Because Padre Dam has a wholesale function that includes storage for the 10-day capacity, it is assumed that the former "wholesale" means facilities controlled by SDCWA or other up-line suppliers.

**Spring Valley SD** has constructed all lift station with a minimum of six hours storage capacity and has equipped them with emergency generators.

**Sweetwater Authority** maintains a four-month supply of water in its reservoirs and has provided each pressure zone with storage for one day plus fire flow demand. Pump stations are provided with one-day maximum demand and emergency generators. The Authority also has emergency connections to adjoining agencies for each pressure zone.

## Section B: ADMINISTRATION, MANAGEMENT and OPERATIONS

### *1. What awards or recognition has the agency received?*

**City of Chula Vista (sewer only)** noted that the City of Chula Vista was ranked as fifth best in the County for the fewest number of sewage spills by the San Diego Regional Water Quality Control Board.

**Helix WD** has won numerous awards. In 2001 they won an Honorable Mention from the APWA for the Helix 1B Pump Station, and two awards (MET and Associated General Contractors of California) for the Water Conservation Garden at Cuyamaca College.

**Lemon Grove SD** None

**Otay WD** received an Outstanding Performance Award from the SDCWA in 1999 for continuing education to customers, a National Pollution Prevention Award in

2001 from the California EPA for pollution control efforts, and an Outstanding Planning Award from the San Diego APA in 1999 for the Audubon Golf Course. Other awards include ones from the Association of Environmental Professionals in 2000 for Central Area Mitigation Report and an Orchid, a President's Award and a Certificate of Design Excellence from several organizations for the District's Water Conservation Garden.

**Padre Dam MWD** has received numerous awards including: Excellence in Operational Budgeting for 4 consecutive years (1999-2000 through 2002-2003), Meritorious in Capital Budgeting, and Excellence in Public Communications awards from the California Society of Municipal Finance Officers for 2002-2003; Collection System of the Year (small system), Engineering Achievement, Supervisor of the Year (Marty Holmes), and Plant Safety Awards from the California Water Environment Association – APWA Top Ten Public Works Leaders of the Year Award (General Manager Augie Caires) in May 2002; Honorable Mention for the Competitive Challenge and the Integrated Facilities Plan from the California Special Districts Innovative Program, Excellence in Capital Budgeting (only special district in California to receive the award) in 2001-2002, and Merit in Public Communication Budgeting Awards for 2001-2002 and 2000-2001 from the California Society of Municipal Finance Officers; Collection System of the Year, Supervisor of the Year (Walter Payne), and Small Plants of the Year Awards for San Diego County from the California Water Environment Association – San Diego Section in 2002; APEX Award for Publication Excellence for four consecutive years, 1999-2002; Communicator Award and Distinction for the 2001 Education Spillway; ACWA Clair Hill Innovations Award for the District's Competitive Challenge in 2001-2002; In 1998,-99 received the Theodore Roosevelt Environmental Award for the Santee Lakes Wood Duck Program and the Environmental Project of the Year for the Expansion of the Water Recycling Facility; In 1997-98 received the excellence in Innovation, Excellence in Operational Budgeting, and Merit in Public Communication Budgeting awards from the California Society of Municipal Finance Officer, the 1997 Steel Tank of the Year Award from Steel Plate Fabricators Association, and the ACWA Clair Hill Award for the District's Workforce Partnership.

**Spring Valley SD** received First Place Award from the California Water Environmental Association in 1992 and 1994 for productivity and efficiency in a medium sized collection system.

**Sweetwater Authority** has received numerous awards including: American Consulting Engineers Council Honor Award in 2000 for the Sweetwater River Groundwater Facilities; Consulting Engineers and Land Surveyors of California Honor Award for the Reynolds Groundwater Demineralization Facility; Telly Award for the video *Water from Water*; a Global Award from Environmental Systems Research for Special Achievement in GIS; and an Award of Excellence from United Way.

2. List number of employees by category: executive, management, professional, operational, etc.

**Agency Employees By Category**

Agency	Management	Professional	Operational	Support	Parks
City of Chula Vista (sewer) *	3	8	42		
Helix WD *	15	39	87		
Lemon Grove SD *	0.7	3.75	4.6	0.15	
Otay WD *	7	49	103		
Padre Dam MWD *	5	13	93	33	7
Spring Valley SD ^^	5	10	25		
Sweetwater Authority *	2	38	97		

\* Employee classification manipulated by LAFCO staff to mirror similar categories  
 ^^ Number of employees for all County Sanitation Districts

3. Describe internal reorganizations within the past three years; list job titles or positions that have been eliminated; provide pre- and post-reorganization charts.

**City of Chula Vista (sewer only) None**

**Helix WD** had two positions (Public Information Administrator and GIS Administrator) retire and both positions were eliminated with the work functions reassigned to other employees.

**Lemon Grove SD None**

**Otay WD** reported that it had completed two reorganizations within the last three years. The first reorganization of staff in 1999 added five positions, deleted three positions, and reclassified five positions—all within the engineering, operations and management departments. The second reorganization of staff in 2001 deleted four department head positions, added two Chief positions, and created four Assistant Chief positions.

**Padre Dam MWD** reorganized parks operations in 1999 and eliminated five positions. In 2000, two positions were eliminated and staff supervision in three operational departments changed. In 2001, the Administrative Services Department was eliminated and staff reassigned to other departments; one public affairs position was added; and three positions were eliminated (one through retirement). The Operations department reorganized by assigning two field crews of three workers to one supervisor, adding one crew each to the eastern service area and the western service area for capital projects.

In 1998, the Finance Department restructured the department by replacing two senior accountants with just one senior accountant and an entry level accounting specialist position permanently saving \$93,000 per year in direct salary reduction.

**Spring Valley SD** eliminated one administrative position in 2002. There have been no other reorganizations.

**Sweetwater Authority** reorganized two separate groups of employees (one group of five and another group of two) within the past three years.

4. *List number of annual terminations, resignations, and retirements, which have occurred in each category, for the preceding three years.*

**City of Chula Vista (sewer only)** noted one retirement in FY 2000.

**Helix WD** noted 13 terminations, resignations, and retirements in 1999, nine in 2000, nine in 2001, and two in 2002.

**Lemon Grove SD** None

**Otay WD** provided additional information, which stated in part "...in 1997, 30% of the Otay WD workforce was within 5 years of retirement. Currently 22% is within five years of retirement... the current employment trend is for newer employees to stay with an employer for 3-5 years as opposed to staying until retirement... The District's Classification and Compensation Study conducted in 1999 reviewed every position in the District. The District reviews staffing requirements every year as part of the budget process. The next Classification and Compensation Study is scheduled for 2004..."

<b><u>Otay WD</u></b>	1999	2000	2001
Terminations	1	0	2
Resignations	5	13	15
Retirements	4	3	6
Layoffs	0	0	5

<b><u>Padre Dam MWD</u></b>	FY 1998-99	1999-2000	2000-01
Terminations	0	1	0
Resignations	5	6	2
Retirements	5	5	3

**Spring Valley SD** noted six resignations (two managerial, three professional and one operational) in the last three years and three retirements (one managerial and two operational).

**Sweetwater Authority** had seven retirements, 15 resignations and no terminations within the past three years.

5. *Describe positions that have remained vacant during the past three years.*

**City of Chula Vista (sewer only)** None

**Padre Dam MWD** has had five positions that have remained vacant since 1998 for varying lengths of time and for varying reasons including disability, resignation and reorganizations.

**Helix WD** None

**Lemon Grove SD** None

**Otay WD** None

**Spring Valley SD** None

**Sweetwater Authority** None

6. *Describe agency policies, rules, and procedures that regulate communication between elected officials and employees.*

**City of Chula Vista (sewer only)** has an adopted charter (Section 305) that prohibits the involvement of elected officials in administrative matters of the City.

**Helix WD** does not have any formal rules or policies limiting communications between employees and Board members but reports no problems.

**Lemon Grove SD** is a subsidiary district of the City of Lemon Grove. The City Council sits as the Board of the Sanitation District and communication policies duplicate normal city operations.

**Otay WD** adopted a Code of Ordinances in 1984 that requires the Board to work through the General Manager to obtain information. Individual Board members are prohibited from acting independently to direct staff.

**Padre Dam MWD** has an adopted Board policy that prohibits Board members from directing the staff in the performance of their duties and *reasonable requests for information or staff assistance* are directed to the General Manager. The same policy requires that any information provided to one Board member be made available to all other Board members.

**Spring Valley SD** is a dependent District governed by the San Diego County Board of Supervisors. The County Charter has a provision that prohibits a member of the Board of Supervisors or a member of their staff from interfering with any employee under the purview of the Chief Administrative Officer. The policy does not prevent requests for information.

**Sweetwater Authority** did not refer to adopted policies limiting communication between employees and Board members. However, the Authority listed multiple practices where Board members must make decisions at formal, noticed meetings and communication between the Board and employees is directed through certain channels.

7. *Describe level that elected officials can be involved in administrative, management and personnel matters; provide details of changes in involvement, which have occurred during the past three years.*

**City of Chula Vista (sewer only)** has adopted charter (Section 305), which prohibits involvement of elected officials in administrative matters of the City.

**Helix WD** noted the Board limits their involvement to hiring the General Manager, General Counsel and Board Secretary and acts as the final officer in the *Skelly* Hearings.

**Lemon Grove SD** is administered by the City Manager acting as the District General Manager. The District Board (City of Lemon Grove City Council) gives direction to the General Manager (City Manager).

**Otay WD** See answer to Question No. B-6.

**Padre Dam MWD** Board members sit on a Personnel Committee that confers with management staff regarding negotiations with the employee bargaining unit. On two occasions during the last nine years, Board members were asked to sit on hiring review boards for management level positions with Board members having one vote on the panel. Board committees are formed to study specific areas (Public Information, Appeals, Finance etc.), and make recommendations to the full Board.

**Spring Valley SD** is governed by the Board of Supervisors, who does not interfere in the operations of the District.

**Sweetwater Authority** has a seven-member board (five elected and two appointed by the City of National City) that operates under a committee system with three Board members on each committee (operations, finance and personnel, recreations, communications and security). All Board meetings are conducted in accordance with the Brown Act and other applicable laws. No changes have occurred in this structure for the past three years.

8. *Describe administrative/management/operational functions that are provided to the agency by private organizations or other public agencies; explain management efficiencies and/or cost avoidance opportunities gained by these arrangements.*

**City of Chula Vista (sewer only)** noted the use of outside consultants where determined appropriate through costs savings including project management, audits and special studies.

**Helix WD** participates in the *Interagency Shared Services Program* with five other agencies and in the *Water Agencies Standards Committee* with four other agencies. The District also contracts with a single vendor for landscaping, janitorial services, paving contracts, billing, some employee services and vehicle maintenance in order to realize costs savings.

**Lemon Grove SD** None, except as allowed under existing State Law for the bidding of specific contracts.

**Otay WD** uses outside consulting services for engineering design work, public communications, legal services, information services, printing, newspaper clipping, audits, landscaping, and janitorial services.

**Padre Dam MWD** has no administrative/management functions provided by private organizations or other public agencies. Some operational contracts (landscaping, maintenance, janitorial etc.) are awarded to private companies after a cost/benefit analysis.

In supplemental information, the District noted that it also uses a private firm for its audits.

**Spring Valley SD** notes that the County of San Diego has outsourced its information technology services and its human resource system for increased efficiency and cost savings.

**Sweetwater Authority** uses private contractors for bulk printing and mailing, video and voice-over productions, Internet services, security, gardening, janitorial services, legal services, auditing, customer billing and laboratory work. Private contractors are used for these services for efficiency and cost savings.

9. *Describe cooperative arrangements with other agencies that produce administrative, management, and/or operational efficiencies.*

**City of Chula Vista (sewer only)** See Answer No. A.13. The City is a participant in the City of San Diego's sewage treatment system and has billing agreements with the Otay WD, the Sweetwater Authority and Cal-American Water Company.

**Helix WD** participates in the Water Conservation Garden JPA with three other public agencies, in the Harry Griffen Park JPA with five other agencies (Helix WD's Grossmont Reservoir lies beneath the Park), in the Joint Powers Insurance Authority, in the California Urban Water Conservation Council, the SDCWA and the Joint Agencies Natural Communities Conservation Plan which allows water agencies to self-permit, fix mitigation ratios and rely on pre-approved mitigation ratios for water agency project impacts.

**Lemon Grove SD** The District added in supplemental information: The District has agreements with the City of La Mesa authorizing city connection to Lemon Grove SD lines; an agreement with the Spring Valley Sanitation District for transport of wastewater; and is a signatory to the Regional Wastewater Agreement with the City of San Diego.

**Otay WD** provided a list of agreements with other agencies. They include agreements with the City of Chula Vista for the provision of water and for joint use of easements, with the City of San Diego for collection of sewer fees, for provision of water, for use of easements and for capacity in the METRO system, with the Spring Valley Sanitation District for interim use of the District's facilities and other agreements for inter-ties with surrounding systems and for best practices groups.

In supplemental information dated 9/30/02, the Otay WD provided additional information regarding the District's billing arrangement with the City of Chula

Vista. It noted that the rate increase approved by the City has been occasionally attributable to the Otay WD Board.

**Padre Dam MWD** participates in a *Shared Resources Agreement* with four other water/wastewater agencies to routinely share resources beyond emergency mutual aid. The agencies also participate in sharing material lists, design specifications etc. for more collective influence on suppliers and contractors. The District also provides sewer transportation service for a small flow from a residential area within the City of San Diego new Grossmont College.

**Spring Valley SD** is a participating agency in the METRO system and is a signatory with five other agencies for sewer services.

**Sweetwater Authority** notes multiple regional State and national organizations. District staff attends meetings, conferences and seminars. Regional associations include the Water Utilities Human Resources Committee (for human resource staff of participating agencies), the Shared Service program, the Interagency Task Force (City of Chula Vista, Otay WD and Sweetwater Authority), CWA Manger's meetings, CWA General Manager's meetings and meetings of operating heads and/or chief engineers from various agencies.

*10. Describe policies for employee and contractor performance incentives.*

**City of Chula Vista (sewer only)** uses incentives for efficient completion of contracts but noted none for employee.

**Helix WD** offers monetary and non-monetary employee incentives including certification bonus programs, interest free computer loans, tuition reimbursement programs and other programs.

**Lemon Grove SD** None noted.

**Otay WD** has established various methods for rewarding employee performance in numerous categories including public recognition, gift certificates, cash bonuses, merit increases, and lunch/dinner certificates. The District has adopted an Employee Recognition Guide.

**Padre Dam MWD** provides annual performance evaluations, a skills enhancement program that gives employees a one-time bonus for job enhancement achievements and annual employee recognition's event. The District also uses performance incentives in some construction contracts.

**Spring Valley SD** provides *pay for performance* program for an employee's contribution toward meeting departmental goals. The District also follows contractor incentive procedures as outlined by State Law and County policies.

**Sweetwater Authority** has no performance incentive program for contractors. The Authority also has merit increase for employees who have reached a certain time of service.



11. *Explain policies and procedures for competitive bidding and sole source procurement. Describe services provided during the past three years on a sole source procurement basis; identify the cost of each contract.*

**City of Chula Vista (sewer only)** has adopted an ordinance governing the competitive bidding process. The City Manager may hire contractors using a sole source method that must be ratified by the City Council.

**Helix WD** has purchasing policies that specify the manner and amounts of purchases. Adopted procedures require sealed bids for bond and assessment fund use. The District has sole-source contracts to realize cost savings in landscaping services, janitorial services, paving contracts, billing, some employee services, and vehicle maintenance.

**Lemon Grove SD** None except that prescribed under existing State Law.

**Otay WD** uses an informal competitive bidding process for contracts between \$1,000 and \$35,000. For purchases exceeding \$35,000, the District uses a formal, written competitive bidding process. Sole-source contracts include: legal services (including legal defense and expert testimony), temporary help, purchases less than \$1,000, public agency services, emergency public works and services where only one vendor has been identified. The District has adopted a purchasing manual.

**Padre Dam MWD** has adopted purchasing policy and procedures that are consistent with existing State Laws. The policy segregates contract amounts and prescribes a process and the level of approval needed for each amount. The District uses a less competitive process for construction jobs under \$35,000 that includes requesting bids from three firms, which the District staff deems qualified. Professional service contracts, other than construction, are accomplished through a formal RFP/RFQ process or invited RFP process. Some contracts are on an *On-Call* basis for two years and are awarded after a formal, competitive bidding process.

**Spring Valley SD** uses the County of San Diego's Department of Purchasing and Contracting for competitive bidding contracts. The District has one sole-source contract with the Keese Company to prepare a sewer connection/capacity financial study.

**Sweetwater Authority** follows the legal requirements for bidding procedures as outlined in irrigation district law and has adopted policies and procedures for purchasing goods and services. The Authority has approved two sole source contracts (Sim J. Harris Paving and Cass Construction, for \$63,000 and \$125,000, respectively) during the past three years.

Section C: FISCAL

1. Describe all revenue sources (i.e., property taxes, special taxes, service charges, fees, assessments, grants, etc.).

**Projected Operating Revenues: FY 2001-02**

<b>City of Chula Vista (Sewer fund)</b>		<b>Padre Dam MWD</b>	
Sewer Service Charges	19,738,231	Water Billings	15,035,213
Investment Earnings	1,825,420	Sewer Service Charges	9,473,959
Sale of Real Property	10,733	Infrastructure Access Charge	387,332
Sale of Personal Property	110,398	Standby Credits	709,292
Storm Drain Fees	516,404	Energy Billings	1,929,207
Industrial Waste Fees	11,000	CWA/Metro Water Purchase Credits	198,275
Pump Station Fees	112,318	Sewer Processing Fee	1,147,466
Gas Tax Reimbursements	8,313	System Charges	2,770,131
CIP Reimbursements	2,000	Park Fees	1,417,517
Assessments	227	Property Taxes Subvention	1,657,399
Collection Charges	208,000	Other Revenues	<u>448,656</u>
Transfers In	<u>1,340,000</u>	TOTAL	35,174,447
TOTAL	23,883,044		
<b>Helix WD</b>		<b>Spring Valley SD</b>	
Water Billings	38,831,780	Sewer Service Charges	8,400,000
Water Treatment Charge	379,488	Interest	1,066,047
Other Collections	7,133,521	Service Connection/Capacity	200,000
Lake Jennings Recreation	<u>135,400</u>	Proceeds Long Term Debt	450,000
TOTAL	46,480,189	Replacement Reserve Decrease	2,844,000
		Expansion Reserve Decrease	110,000
		Fund Balance	<u>-1,112,806</u>
		TOTAL	11,957,241
<b>Lemon Grove SD</b>		<b>Sweetwater Authority</b>	
Sewer Service Charges	3,117,000	Water Billings	29,093,000
Waste Water Discharge Permits	10,000	Interest	1,023,400
Interest	12,100		
Transfer from Encanto Trunk Upgrade Reserve	<u>590,000</u>	Water Service & Miscellaneous	<u>858,600</u>
TOTAL	3,729,100	TOTAL	30,975,000
<b>Otay WD</b>			
Water Billings	30,235,600		
Sewer Service Charges	1,603,100		
Reclaimed Water Sales	1,775,400		
Standby Charges (MWD)	880,600		
Meter Fees	313,000		
Non-Operating Income	<u>1,041,300</u>		
TOTAL	35,849,000		

2. Explain constraints associated with agency's ability to generate revenue.

**City of Chula Vista (sewer only)** holds public hearings for sewer fund increases, but noted that it is not constrained by Proposition 218.

**Helix WD** adjusts water rates each year based on five-year projections, with a target of a 10% cash balance as a reserve in the fifth year. The District has approved a 2% rate increase for July 2002, with projected rate increases of 1.5% each year for the next four years. The constraints associated with the District's ability to generate revenue are its size, built-out condition, ratepayer demographics and Board policies related to rate stability and rate structure. The District receives no property tax.

**Otay WD** noted that as a public agency it collects funds only as necessary. It notes as a constraint the requirement to provide a nexus or connection between fees and uses of funds, as well as other existing legal, statutory and political constraints.

**Lemon Grove SD** noted that the District has a relatively static customer base that represents a funding constraint.

**Padre Dam MWD** sets rates through a computerized rate model which *passes-through* external costs and provides for infrastructure replacement. Beyond the restraints existing in current federal, state and local laws, as well District policies, goals and objectives, the District did not note other restraints.

In subsequent discussions, the District has adopted information Board financial policies that provide direction in all financial matters and also constrain the ability of the District Board to generate policies addressing rates. These can be viewed in the fiscal year budget 2002/03 budget, Section D.

**Spring Valley SD** noted that the provisions of Proposition 218, political considerations, and types of users within the District are financing constraints.

**Sweetwater Authority** has no taxing authority. Revenues and income are received through the members of the Authority (South Bay Irrigation District and the City of National City).

*3. Describe policies and procedures for limiting expenditures, which staff may make without board/council approval.*

**City of Chula Vista (sewer only)** The City Council sets the departmental budgets and the director of each department is authorized to make all expenditures consistent with the adopted budget. The departmental director may allocate charges up to \$50,000.

**Otay WD** has a policy, revised in 2001, which states that the Board must approve purchases greater than \$50,000. The General Manager can approve purchases between \$35,000 and \$50,000. The remaining levels of expenditures are established according to amounts and signatory. The Otay WD provided the following additional information:

Otay WD Board of Directors has adopted purchasing policies and procedures. These policies and procedures satisfy internal control requirements and are compliant with the State of California Contracting and Government statutes. The Board of Directors has set the General Manager's expenditure level at \$20,000. The Board of Directors reviews the expenditure level annually. The General Manager is authorized to make all expenditures consistent with the adopted budget, provided expenditures are at, or below, his/her authorized level. The Board of Directors must approve purchases above the General Manager's authorized expenditure level during a regularly scheduled board meeting. The General Manager is authorized by the Board of Directors to delegate purchasing authorization. Purchasing authority is described in the following table:

**Otay WD Purchasing Authority**

<b>Authorized Purchaser</b>	<b>Amount Authorized</b>	<b>Purchasing Criteria</b>
Board of Directors	Any amount	Any item
General Manager	Up to \$20,000 (Set by Board)	Consistent with Budget
Chief	Up to \$20,000 (Delegated by GM)	Consistent with Budget
Assistant Chief	Up to \$15,000 (Delegated by GM)	Consistent with Budget
Manager	Up to \$10,000 (Delegated by GM)	Consistent with Budget
Supervisor	Up to \$5,000 (Delegated by GM)	Consistent with Budget
Board/Executive Secretary	Up to \$2,000 (Delegated by GM)	Consistent with Budget
General Manager	Actual Amount	Utility, telephone, loan, lease and similar payments

**Helix WD** submits all capital asset items exceeding \$7,500 to the Board of Directors for approval. While the District’s rules for separate classes of items (capital, inventory and construction, etc.) have specific requirements, generally items over \$25,000 must be approved by the Board of Directors. The General Manager and staff with certain controls can approve items under \$25,000.

**Lemon Grove SD** follows existing City policies.

**Padre Dam MWD** has established a policy for all purchasing. Purchases must be documented in ways prescribed by the policy to satisfy internal control procedures. The purchasing authority and amounts are described in the following table:

**Padre Dam MWD Purchasing Authority**

<b>Authorized Purchaser</b>	<b>Amount Authorized</b>	<b>Purchasing Criteria</b>
Board	Any Amount	Any Item
General Manager	\$50,000	Must be included in budget
Department Directors	\$35,000	Must be included in budget
Cost Center Managers	\$15,000	Must be included in budget
Purchasing Agent	\$2,500	Must be included in budget
Finance and Operations Director	Actual Amount	Water, sewer or power bills; loan payments etc.
Director of Engineering	Actual Amount	Refunds of unused developer fees or deposits
General Manager and Managers		May submit payment requests for lower than threshold amount

**Spring Valley SD** purchases over \$2,500 are handled by the County of San Diego’s Department of Purchasing and Contracting through the competitive bidding process. For purchases under \$2,500, the staff must have prior management approval.

**Sweetwater Authority** has established policies and procedures for all purchasing. The purchasing authority and amounts are described in the following table:

**Sweetwater Authority Purchasing Authority**

Authorized Purchaser	Amount Authorized	Procedure
Department Head or designee	less than \$10,000	Formal or informal bidding
Department Head	less than \$75,000	Formal or informal bidding procedures
Department heads or Management designee	more than \$75,000	Formal bidding procedure

4. *Provide a summary of annual legal expenditures for the past three years; segregate expenditures associated with settling claims by employees or other parties and describe the justification for each settlement.*

**City of Chula Vista (sewer only)** had \$14,839 in claims paid due to sewage line backup/overflows, with legal costs of \$1,030. There were no claims originating from employees of the department. City Attorney costs were not included.

**Helix WD** spent \$142,122 in FY 99-00, \$192,901 in FY 00-01 and \$125,889 in FY 01-02 on legal expenses.

**Lemon Grove SD** spent \$275.00 in FY 2000; \$3,300.00 in FY 2001; and \$1,775.00 in FY 2002. The District noted that it also paid the following amounts for back-up damages/restoration: FY 2000 \$2,430.00; FY 2001 \$3,556.00; and FY 2002 \$6, 556.60.

**Otay WD** in 2001 stopped using in-house legal services and hired two outside legal firms — Burke, Williamson & Sorenson and Leal, Olivas & Juaregui. The District did not provide a three-year accounting of legal fees but did note that in FY 2000, the District’s legal fees were \$954,514 (\$168,202 was in-house legal services, and \$786,312 was for an unspecified outside legal firm). For the first six months of FY 2001, total legal fees were \$1,161,142 (approximately \$455,300 to Burke Williamson and Sorenson); no further breakdown of costs per legal firm or time period for expenditures were provided.

In supplemental information, Otay WD provided a summary of the legal expenditures for the past three years, and also provided a breakdown of litigation matters and settlements for the last three years.

Otay WD also provided a report, prepared by its General Counsel, of Otay WD’s legal fees outlining reasons for the recent “spikes” in legal activity at the Otay WD. The report included a cost benefit analysis of in-house counsel versus external general counsel and a breakdown of the fees by matter of all work performed by Burke, Williams and Sorenson, LLP.

The District stated that LAFCO's allegation that Otay did not provide further breakdown of costs per legal firm or time period for expenditures in the RFI is unfounded. LAFCO did not request a breakdown of expenditure by firm. Moreover, the Data Summary's restatement of the total legal fees for Otay WD for the three years in question is misleading because it does not adequately reflect the complexity of legal services provided to a fast growing district. "The Data Summary fails to communicate the nature of the legal issues faced by Otay WD, the recoveries obtained from third parties, the change in legal structure of the unique legal fees associated with fast growing districts." The supplemental information included the following overview of a few additional issues not taken into consideration:

- In 2000, Otay WD hired the law firm of Daley & Heft to handle a complex construction litigation matter, a dispute with Trepte Construction Company, which resulted in a settlement in excess of \$3.4 million dollars for the Otay WD. Between 2000 and the present, Daley & Heft accumulated in excess of \$1 million dollars handling the Trepte issue (\$485,873.68 in 2000; \$596,440.68 in 2001; and \$614.00 through April 2002). The amount of the settlement covered the Otay WD's attorney fees. Although identified in the Otay WD's original response to LAFCO, this information was not reflected in LAFCO's Data Summary. The net to Otay WD was in excess of \$2 million dollars.
- Related to the first issue and also a source of independent legal fees is the Otay WD's rapid growth. Other utility districts and agencies that are not experiencing rapid growth will not have the large construction programs that require additional legal services—including, but not limited to, construction legal advice, contract review, worker injuries, damage to property and construction litigation... Ignoring the large capital improvements project when evaluating the legal fees results in a misleading snapshot of the legal expenditures of the District. Otay WD simply cannot be compared to a district that is not rapidly experiencing or embarking on such a large capital improvement project.
- Otay WD recently converted from an in-house general counsel model to an external counsel model. As with any restructuring, there are costs associated with the change. Otay WD entered into a retainer agreement with the law firm of Burke, Williams and Sorenson LLP to provide general counsel services at a flat rate of \$155,000.00 per year. The in-house counsel's salary in 2000 was \$168,202.00, excluding benefits or other costs of employment plus an additional \$75,000.00 for secretarial and other related in-house legal costs. Litigation was not included in the duties of the former general counsel nor is it included in the retainer agreement.
- Otay WD experienced two "spikes" in legal fees between April 2001 and May 2002 as a result of governance issues. These governance issues were an aberration and, with the assistance of counsel, have been internally resolved by the Otay WD. In the material provided to LAFCO, Otay WD described the "spike" in legal fees. Two board members, Inocentes and Cardenas, were engaging in board member misconduct. The increased fees are related to the efforts of counsel to remedy a serious violation of the Brown Act instigated by these board members.

The violation was ultimately reversed by an order of the San Diego County Superior Court at great expense to Otay WD. Additional fees were incurred when it was discovered that a member of the governing board (Cardenas) did not live within the geographic boundaries of the Otay WD. The matter was resolved in the summer of 2001, when the position was declared vacant and shortly thereafter a new member was appointed by the Board.

- The second “spike” occurred in March of 2002. Board member Inocentes began harassing other members of the Board and Otay WD staff. The matter was quickly resolved in May 2002 through preventive litigation, again at great cost to Otay WD. Fortunately, Inocentes is not seeking re-election this year. Barring unforeseen circumstances, Otay WD does not anticipate any additional legal expenditures of this nature in the future. The attached chart, “Exhibit B” illustrates the two spikes in legal fees and costs over the two and a half year period of December 2000 to July 2002. The first three months of the 2002-2003 fiscal year are more characteristic of the typical fees of Otay WD under \$40,000.00 per month.
- The District reiterated that in relation to the Otay WD’s size and its ambitious growth and construction program, the legal budget is appropriate.

**Padre Dam MWD** spent \$212,354 in FY 1998-99 on legal expenses (\$142,329 on general legal expenses/capital projects and \$70,025 on litigation/potential litigation); \$139,594 in FY 1999-00 (\$91,878 on general legal expenses/capital projects and \$47,716 on litigation/potential litigation); and \$152,625 in FY 2000-01 on legal expenses (\$92,753 on general legal expenses/capital projects and \$59,872 on litigation/potential litigation). The District provided a complete explanation of all litigation/potential litigation expenses.

In supplemental information provided by the District, it was noted that the Padre Dam MWD’s legal fees for FY00-01 were \$92,753 (not \$82,753) and that the final FY 01-02 legal fees were \$115,178.

**Spring Valley SD** spent \$150.00 on legal costs in FY 99-00, \$75.00 in FY 00-01 and \$38.00 in FY 01-02. There were no expenditures associated with employee claims.

**Sweetwater Authority** spent \$139,912 in FY 98-99, \$602,529 in FY 99-00 and \$186,295 in FY 00-01.

The Sweetwater Authority provided the following supplemental information concerning legal fees for 1999-00: “To the casual observer, and without clarification, it would appear that Sweetwater Authority’s legal fees for 1999-00 are somewhat high in comparison to other years. But in fact, the legal fees represent costs incurred to win a lawsuit brought against the Authority by a general contractor. To protect the Sweetwater Authority from urban and first-flush storm runoff, the Authority contracted to construct a series of ponds, pumps and diversion barriers around the northwest portion of the lakes in 1999. The contractor attempted to elicit change orders in the amount of \$1.7 million, to which the Authority offered \$300,000. The contractor refused the settlement amount and the case went to arbitration. The case settled in the Authority’s favor

for only \$87,000. In conclusion, the total legal fees for 1999-00 of \$602,000, approximately \$450,000 was for legal fees for only one case...”

5. *Explain the agency’s bond rating; discuss reason for rating.*

**BACKGROUND: Bond Rating Agencies**

Moody’s	S&P	Fitch	DCR	Definition
Aaa	AAA	AAA	AAA	Prime, maximum safety
Aa1	AA+	AA+	AA+	High grade, high quality
Aa2	AA	AA	AA	
Aa3	AA-	AA-	AA-	
A1	A+	A+	A+	Upper medium grade
A2	A	A	A	
A3	A-	A-	A-	
Baa1	BBB+	BBB+	BBB+	Lower medium grade
Baa2	BBB	BBB	BBB	
Baa3	BBB-	BBB-	BBB-	

**City of Chula Vista (sewer only)** has a general obligation bond rating of A from Standard and Poor’s.

**Helix WD** is rated as AA by Fitch IBCA and Standard and Poor based on the District’s financial performance, pay-go financing of capital improvements, revenue base and existing water supply.

**Lemon Grove SD** has no bonded indebtedness and therefore no bond rating.

**Otay WD** has a bond rating of AAA/A-1+ rating from Standard and Poor’s (with a BBB rating for Improvement District 27) and an Aaa from Moody’s.

In supplemental information, the Otay WD stated: “There are two types of bond ratings, a “purchased rating” and an “underlying rating”. LAFCO’s presentation of Otay WD’s bond ratings appears to reflect some purchasing ratings with some underlying ratings without any clarification. This can be very confusing. In addition to mixing purchasing ratings and underlying ratings, LAFCO has also presented a rating for Otay WD Improvement District 27’s issued debt. Improvement District 27 is only a small portion of the whole district. This data may also be confusing.”

**Padre Dam MWD** has a rating from Standard and Poor’s of AAA and Aaa from Moody’s and notes that its rating is due to financial status and management of the agency.

**Spring Valley SD** is a dependent District of San Diego County that has a Standard and Poor’s rating of AAA (Treasurer’s Pooled Money Fund).

**Sweetwater Authority** has a Standard and Poor’s rating of AAA and a Moody’s rating of Aaa.



**MSR Region: Bond Ratings**

<b>Agency</b>	<b>Standard and Poor's</b>	<b>Moody's</b>
City of Chula Vista	A	N/A
Helix MWD	AA	N/A
Otay Water District	AAA/A-1	Aaa
Padre Dam MWD	AAA	Aaa
Lemon Grove SD	None-No Debt	None-No Debt
Spring Valley SD	AAA	
Sweetwater Authority	AAA	Aaa

6. *Describe policies and procedures for investment practices.*

**City of Chula Vista (sewer only)** has an adopted investment policy that is reviewed annually by the City Council with goals prioritized in the order of safety, liquidity and yield.

**Helix WD** has an adopted investment policy that is reviewed by the Board annually. The goals of the policy are safety, liquidity and yield, in order of importance. Investments are permitted in Local Agency Investment Fund (LAIF), government securities and other investment vehicles outlined in the District's policy. The Board must approve any investment with more than a three-year maturity and for any investment not specified in the District's adopted policy.

**Lemon Grove SD** invests in the LAIF.

**Otay WD** has an adopted policy (No. 27) in its Code of Ordinances, which provides guidance for the investment of the District's cash management system. The District uses the *prudent investor* standard (California Government Code Section 53600.3) and the order of priority is safety, liquidity and yield. A *laddered* portfolio enables the District to hold securities until their maturity, with investments maturing each month. The District has an investment portfolio for various reserve accounts in excess of \$97 million (\$72 million in capital reserves, \$17 million in operating fund reserves, \$3.5 million in the Rate Stabilization Fund, and \$4.5 million in other reserve funds).

**Padre Dam MWD** has an investment policy with five objectives: (1) to protect principal; (2) to ensure that funds are available to pay Districts obligations without needing to liquidate investments or risk penalties; (3) to maximize the yield from deposits; (4) to ensure that all investments are properly authorized; and (5) to ensure compliance with all existing federal, state, and local laws. Objectives, which all investments must meet, include: safety, liquidity, yields, market average rate of return, diversification, prudence, and public trust. The investment authority is delegated by the Board to the Board's Finance Committee, which is required to review the portfolio each quarter. The Finance Committee is comprised of the Board Treasurer, Board member, General Manager and Director of Finance. The Director of Finance is required to submit monthly investment reports to the Board. The policy includes a list of authorized investment instruments with a cap for the amount authorized to be invested in each.

**Spring Valley SD**'s investment practices follow the 2002 San Diego County Treasurer's Pooled Money Fund Investment Policy, which addresses goals, maturity requirements, prohibited securities, minimum credit ratings, internal controls, and lists permissible investments.

**Sweetwater Authority** has an adopted investment policy with objectives of safety, liquidity, return on investment, market average rate of return, diversification, prudence maximum maturity and public trust. The policy designates authorized investment instruments and establishes internal controls and portfolio limitations. The investment authority is delegated to the County Treasurer, who is required to report to the Board bimonthly.

7. Describe policies and procedures for establishing and maintaining reserves/retained earnings. What is the dollar limit of reserves/retained earnings? What is the ratio of undesignated, contingency, and emergency reserves to annual gross revenue?

**Reserve Balances: FY 2001-2002**

Agency	Unallocated General Reserves	Operating / Rate Stabilization Reserves	Capital Reserves	Other Reserves	Total Reserves
Chula Vista	\$24,024,201	\$0	\$805,924	\$15,939,485	\$40,949,410
Helix WD	\$18,579,876	\$3,800,362	\$8,100,000	\$2,598,843	\$33,079,081
Lemon Grove SD	n/a	\$1,133,450	\$0	\$1,830,150	\$2,963,600
Otay WD	\$13,317,486	\$0	\$83,518,222	\$4,523,964	\$101,359,672
Padre Dam MWD	N/A	\$16,756,558	*\$19,424,554 \$2,766,776	\$2,236,611	\$41,184,499
Spring Valley SD	\$771,826	\$14,082,001	\$15,780,732	N/A	\$30,634,559
Sweetwater Auth	\$365,000	\$1,116,300	\$1,000,000	\$6,718,707	\$9,200,007

\* Capacity Expansion Funds

**City of Chula Vista (sewer only)** has no formal policy regarding reserve levels for special funds. Informally the City tries to maintain a reserve level equal to several months of operating revenue, which also can be used as a rate stabilization fund. The City also maintains separate reserve funds for infrastructure replacement.

**Helix WD** targets 10% of annual gross revenues as an operating reserve. Currently, total reserves are approximately \$33 million. This includes special reserves to fund capital projects, rate stabilization, restricted debt, and a scholarship fund.

In supplemental information, the District indicated that the District policy for establishing and maintaining reserves is to target a ten percent "minimum" reserve; the District sets no formal maximum reserve amount. The ten percent

minimum reserve is set each year on a rolling five-year basis. The practice has been to set water rates that result in a cash balance in Year 5 equal to approximately 10% of water billings. The targeted minimum reserve in FY 01-02 was \$4,235,353. This amount was part of the unallocated funds for that year of \$18,579,876.

Gross annual revenues for FY01-02 were \$46,480,189. This amount covered the year's operation and maintenance costs, pay-as-you-go funds for the District's ongoing capital costs, special purpose funds, and annual debt service.

The ratio of the unallocated general funds (\$18,579,876) to annual gross revenue (\$46,480,189) was 40%.

In addition to unallocated general funds, the District had three special purpose funds at the end of FY 01-02: (1) Capital Reserves \$8,100,000; (2) Rate Stabilization Fund \$3,800,362; and (3) Other, which included a \$20,843 scholarship fund and a restricted debt reserve fund (see below).

The Capital Reserve (\$8,100,000) for 01-02 included pay-as-you-go funds of \$5,162,200 and unspent prior year pay-as-you-go funds. Each year's base pay-as-you-go funds are increased by an inflation factor of 4%.

The Rate Stabilization Fund of \$3,800,362 is a fund to cover emergencies and other unforeseen expenditures and is maintained in order to keep rates smooth and low. A decision is made annually as part of the preliminary budget preparation process as to the level of rate stabilization fund needed. The ratio of these special purpose funds to annual gross revenue was 31%.

Finally, to meet bond requirements, the District maintains a restricted debt reserve fund, which at the end of FY01-02 was \$2,578,000. This fund is required to be maintained at a level adequate to produce net revenues equal to 120% of installments payments and parity debt. This fund is included as a part of "Other Reserves", along with the scholarship fund.

The total of unallocated general funds of \$18,579,876, special purpose funds of \$11,921,205 and restricted debt reserve of \$2,578,000 was \$33,079,081 for FY01-02. The ratio of this total to gross annual revenues was 71%.

**Lemon Grove SD** prepared a Wastewater Financial Plan that recommended establishment of a Rate Stabilization Reserve equal to 20% of Operating and Maintenance; an Operating Reserve of 12.5% of Operating and Maintenance expenditures; and a System Reserve Fund equal to the average replacement. The three reserve accounts total approximately \$2.9 million. The FY 01-02 budget included \$1,133,450 for an Operations and Rate Stabilization Reserve.

**Otay WD** sets annual contributions to replacement reserves for water at 1% of the cost of related assets. Sewer equipment and facilities replacement reserves are set at 1.5% of the cost of related assets. Operating fund reserves are set at 33.9% of annual gross revenues, or approximately 3 - 4 months of operation. The District maintains a Medical Reserve Fund for retired employees. The District maintains a Rate Stabilization Fund, which may be used to mitigate future rate increases according to District Policy No. 25. The Board's stated goal is to maintain *rolling* five-year funds that will be depleted at the end of each five-year

period. The current five-year fund was scheduled reach zero in 2004; however, it was depleted in June 2001.

The Otay WD provided the following supplemental information for reserve balances, updated to June 30, 2002:

Operating Reserves: .....	\$13,317,486
Rate Stabilization: .....	\$0
Insurance Reserve (other) .....	\$4,523,964
Capital Reserve.....	\$83,518,223
Total Reserves .....	\$101,359,673

The District also noted that, “LAFCO states that the operating fund reserves are ‘set’ at 33.9% of annual gross revenues. The reserve level is **not** ‘set’ at any particular level. As of June 30, 2002, the ratio is 34.1%.

It should be noted that the rate stabilization fund was not depleted in June 2001, rather, the funds were rebated to the customers by Board action taken in June 2001. It should be noted that both the rate stabilization reserve and the operating reserve supplement the operating budget.”

Otay WD has five major reserve allocation funds: Replacement Reserves, Capital Reserves, Rate Stabilization Funds, Insurance Reserves, and General Funds. FY 2001-02 Replacement Reserves of \$28,570,931 and Capital Reserves of \$54,947,291 are grouped together under *Capital Reserves* in the above chart. The Rate Stabilization Fund is intended to mitigate possible future rate increases due to increased service costs. Board action taken in June 2001 rebated monies in the Rate Stabilization Fund to District customers. Insurance Reserves are designated to fund the medical expense of retirees; because this fund is not common to all agencies, it is categorized as *Other Reserves* in the above chart. Finally. The District’s General Fund, which is designated for the general use of the District, is placed under *Unallocated General Reserves* in the above summary chart.

**Padre Dam MWD** noted that the term *reserves/retained earnings* was eliminated per GASB 34 recommendations and replaced with the term *net assets*. Net assets include investments in capital assets, restricted assets, and unrestricted assets.

The Board reviews and adopts budget assumptions each year to establish target fund levels for reserves including minimum and maximum ranges for each category.

**Designated Balances**

- The Rate Stabilization Fund was established to avoid unforeseen spikes in rates. Transfers to the Capital Replacement Fund are equal to depreciation of assets. The District is projecting this amount to be \$16.6 million by June 2002, slightly over the maximum target of \$15.8 million.
- The Capital Replacement Fund was established for construction of major capital projects and capital equipment purchases not related to capacity expansion. The District is projecting this amount to be \$2.8 million by June 2002, well below the maximum target of \$15.8 million.

- The Capacity Expansion Funds are fees received from developers for capital expansion to serve their projects. These funds are governed by State Law and cannot be used for operating expenses or for capital replace projects. The district is projecting this amount to be \$19.4 million by June 2002.
- Trust Funds and other funds are accrued to meet future obligations per established agreements. The District is projecting this amount to be \$2.2 million by June 2002.

In supplemental discussion, the District stated, “When combined, the Rate Stabilization and Capital Replacement funds total \$19.5 million short of the Board adopted minimum target of \$20.1 million and way lower than the maximum of \$31.6 million. The District also questioned the confusion that might result from comparing projected fund balances with fund targets set by agency policies. The District added that it would be useful to compare Board policies for setting target reserves with the actual reserve amount because a ‘policy without consequences is just an empty set of words.’”

Padre Dam MWD has \$107,303,951 (74%) of net assets in capital assets. Capital assets represent investment in capital assets such as pipes in the ground, pumping stations, and water or sewer treatment plants—less outstanding debt and net of accumulated depreciation. Other net assets include \$18,339,732 of restricted net assets (developer capacity fees), which can only be spent on new capital assets, replacement of existing infrastructure, and expansion projects. The district also has \$19,130,732 of unrestricted net assets, which include cash balances, receivables, inventory, and prepaid expenses.

In supplemental information, the District indicated, “Padre Dam MWD adopted a set of financial policy statements in February of 2002, which was a requirement of their strategic plan. The polices address the District’s accounting systems, budget, capital replacement and improvements, growth issues, rates, operational criteria and staffing.”

The District also suggested that since there is little difference between an operating reserve and rate stabilization reserve that the two categories be combined into one category. The District also corrected the actual reserve amount held by Padre Dam MWD and suggested that LAFCO reconcile reserve policies of all the agencies with actual budget balances reported in audited financial statements.

**Spring Valley SD** has four types of reserves — General (undesignated), Replacement (emergency), Expansion (contingency), and Fund Balance Reserves. The reserve fund increases for FY 01-02 were General Reserve 0.4%, Expansion Reserve 5.2% and the Replacement Reserve 4.3%. Unallocated General Reserves totaled \$812,096 for the FY 01-02 adopted budget. Replacement and Expansion Reserves are combined in the summary chart above as Capital Reserves, and totaled \$13,829,047 for the FY 01-02 adopted budget. Finally, the Fund Balance reserves are categorized as Operating/Rate Stabilization Reserves in the summary chart above, and totaled \$12,441,684 for the FY 01-02 adopted budget.

**Sweetwater Authority** has a number of reserve funds that are established by Board action or bond requirement: The District's funds are categorized in the above summary chart as follows:

<u>Sweetwater Fund Name</u>	<u>Balance</u>	<u>Summary Chart Fund Name</u>
Uncollected Accounts	\$365,000	Unallocated General Reserves
Repair and Replacement	\$1,000,000	Capital Reserves
Vista Del Lago Subdivision	\$145,800	Other Reserves
Admin./Ops. Center Office *	\$2,329,200	Other Reserves
Rate Stabilization	\$840,300	Operating/Rate Stabilization Reserves
Title XVI Grant **	\$3,633, 300	Other Reserves
Demineralization Replacement	\$345,000	Other Reserves
Power Rate Stabilization	\$276,000	Operating/Rates Stabilization Reserves
Future Capital Projects	\$265,407	Other Reserves

\* 15 year sinking fund for new office facilities

\*\*For future groundwater demineralization projects

8. *Explain any variances in rates, fees, taxes, etc., which are charged to agency customers.*

**City of Chula Vista (sewer only)** has variations in rates according to the type of land use (single family, multi-family etc.) and the volume of water used.

**Helix WD** has uniform rates for classes of users across the District and does not charge developer connection fees or pumping charges.

**Lemon Grove SD** In supplemental information submitted 9/26/02, the District indicated that it uses various in rates according to type of land use.

**Otay WD** has variations in rates according to the type of meter/customer and improvement district.

**Padre Dam MWD** has a lower water rate available for agricultural customers, *passes-through* energy costs for pumping to customers living in higher elevations, credits property tax subventions for customers living in the Alpine area and adds the costs of debt repayment for customers of the Crest Utility District (a condition of annexation) to their bi-monthly bill.

Most agencies charge a graduated water rate based upon water usage. Padre Dam has three (3) rates based upon usage with the highest rate applying to the higher last consumption. This ensures conservation while allowing a base living usage at the lowest water rate.”

**Spring Valley SD** has uniform rates across the District.

**Sweetwater Authority** has uniform rates for classes of users across the Authority.

9. Explain policies and procedures for fee rebates, tax credits, or other relief given to agency customers. Provide details of any rebates, etc., issued during the past three years.

**City of Chula Vista (sewer only)** None

**Helix WD** None

**Lemon Grove SD** None

<b><u>Otay WD</u></b>	<b><u>Amount of Rebate</u></b>	<b><u>Source of Funds</u></b>
August 1997	\$1,550,000	Rate Stabilization Fund*
August 1998	\$1,530,000	Rate Stabilization Fund
August 2000	\$1,400,000	Rate Stabilization Fund
March 2001	\$5,000,000	General Fund
June 2001	\$3,505,630	Rate Stabilization Fund/General Fund
TOTAL	\$12,985,630	

\* Scheduled to be depleted by 2004; reported by agency to be depleted in 2001

The Otay WD added in supplemental information: “A more accurate representation of the rate stabilization fund for Otay WD would reflect that the funds were “rebated” as opposed to “depleted”.”

<b><u>Padre Dam WD</u></b>	<b><u>Rec'd From</u></b>	<b><u>Amount</u></b>	<b><u>Reason</u></b>
June 8, 2000	CWA	\$266,164	METRO credit
August 8, 2000	MWD	\$292,088	Retained in Wholesale Water Fund
November 27, 2001	CWA	\$323,961	Refunded to 3 agencies
April 23, 2002	MWD	\$284,870	Retained in Wholesale Water Fund

**Spring Valley SD** None. Refunds may be given for errors in billing or if the EDU evaluation was successfully appealed according to the Uniform Sewage Ordinance.

**Sweetwater Authority** offers rebates and/or refunds in two cases: for lower water consumption over a specified period and for a leak or unexplained water loss. During the last three years the Authority has rebated \$51,103 in adjustments for leaks or water losses.

10. Discuss increases or decreases in rates, fees, taxes, or other charges that have been implemented during the past three years.

**City of Chula Vista (sewer only)** in 1999 approved a three-year rate increase and has retained a consultant to prepare a rate study that is expected to be completed by the end of 2002.

**Helix WD** uses an inclining block rate for users and sets rates each year based on five-year budget projections. Rates were increased 2.5% in 1999, 1.5% in 2000, and 2% in 2001, with projected increases of 1.5% each year for the next four years.

**Lemon Grove SD** approved a sewer rate increase in FY 1999-00 from \$204.90 to \$248.79; in FY 2000-01, an increase from \$248.79 to \$291.86; and in FY 2001-02 an increase from \$291.86 to \$314.11).

#### **Otay WD**

In March of 2001, the District approved discontinuing the energy fee for recycled water, which resulted in an approximate 10% reduction in recycled water rates. In July 2000, the Board approved a reduction in the energy rate from .040 to .032 for each 100 feet of lift and a reduction in a special charge for multiple unit buildings from 3.26 to 3.21 per space. Reductions in ID No. 27 ad valorem rates were approved as follows:

July 1999 — .10 per \$100 of assessed value  
July 2000 — .06 per \$100 of assessed value  
July 2001 — .02 per \$100 of assessed value

In February 1999, the Board approved rate increases of .02 per unit to pass through increased SDCWA charges and approved a flat charge based on meter size to offset a new SDCWA Infrastructure Access Charge.

#### **Padre Dam MWD**

- Retail water rates, which are based on usage and determined by a computerized model, have increased over the last three years in response to the increased cost of imported water, power, inflation, and new regulatory requirements. Rates increased on average 2.5% each year in the western service area and approximately 3% in the eastern service area.
- Wholesale water rates increased \$10.00 per acre-foot in 2000, \$5.00 in 2001, and \$5.00 in 2002.
- Recycled water rates are set at 85% of the retail rate and increase with retail water rate increases.
- While Padre Dam's operating *rates*\* for sewer service did not increase in 2002, rates have generally been increasing and are expected to continue due to an increasing sewer processing costs imposed by the City of San Diego. All costs are passed through to member agencies by the City of San Diego are monitored for accuracy by member agencies.

Sewer operating costs did increase but are being subsidized by the Sewer Rate Stabilization Fund. The Sewer Rate Stabilization Fund was increased in 2001 as a result of the sale of excess sewer capacity to the City of Poway."

**Spring Valley SD** has had no increase in the last three years.

**Sweetwater Authority** increased rates 2.8% in 1999; 0.4% in 2000; 4% in January 2001, and 6.9% in September 2001. Rates were raised to reflect inflation, increased CWA charges, increasing costs for electricity, water quality,



and environmental compliance issues, and to establish a Power Rate Stabilization Reserve Fund.

*11. Discuss opportunities for rate restructuring.*

**City of Chula Vista (sewer only)** is currently preparing a rate study.

**Helix WD** sets rates based on a formula that is periodically reviewed by the Board. The formula allocates expenses into fixed or variable categories. Fixed costs are covered by base charges and variable costs are recovered by commodity or unit charges. The current allocation between base rate and commodity revenue is 25% base and 75% commodity.

**Lemon Grove SD** adjusts rates when costs rise above income.

**Otay WD** has adopted an Accelerated Block Rate Structure to encourage residential water conservation, although non-residential customers pay a flat rate. The District also has a fixed-rate monthly charge to ensure a stable source of revenue.

In supplemental information, the Otay WD stated, "It should be noted that the Board of Directors approved a strategic plan, which identifies the complete review of the rate structure as a key strategic item. This is planned to occur within the current fiscal year."

**Padre Dam MWD** restructured its rate system several years ago and now uses a computerized model to calculate water and sewer rates. The computer model sets the rate based on the net costs to provide service; staff makes recommendations for rate changes annually.

**Spring Valley SD** is currently preparing a 2002 master facility plan and a financial plan. Rates may be adjusted in accordance with the results of those studies.

**Sweetwater Authority** adjusts rates annually as determined by the Board.

*12. Describe policies and practices for depreciation and replacement of infrastructure.*

**City of Chula Vista (sewer only)** has a line replacement fund that is funded through a monthly assessment of \$0.70 per EDU.

**Helix WD** capitalizes assets over \$7,500 and uses the straight-line method of depreciation. Infrastructure is funded through a *pay-go* capital program that is increased annually by 4%. Unspent *pay-go* funds can be earmarked as capital reserve funds and used in subsequent years based on annual capital improvement project lists and the 10-year capital projects plan.

**Lemon Grove SD** notes that it follows standard accounting practices for depreciation and selects lines for replacement/rehabilitation by relying on emergency call data and video surveys of existing lines.

**Otay WD** uses the straight-line method of depreciation and the estimated service life for assets as recommended by the IRS and the American Water Works Association. Funding for replacement of infrastructure comes from the Replacement Reserve, which is funded by water rates, annexation fees, and the first \$10.00 of availability fees and interest. According District Policy No. 25, current contributions to the Replacement Reserve are based on asset costs that, at the end of the useful life of the facilities, represent 30% of full replacement value. If a project has more than 5 years of useful life remaining, funding is incremental; if the facility has less than five years, the funding is contributed on a pro-rata basis.

**Padre Dam MWD** incorporates the annual costs for the Capital Replacement, Rate Stabilization, and Debt-Principal Funds as items in the computerized rate model and uses a combination of *pay-go* and debt service to fund capital replacement and minimizes rate impacts.

**Spring Valley SD** implements GASB 34 as required by law.

**Sweetwater Authority** uses the straight-line method of depreciation and the estimated service life for assets as recommended by the IRS and the American Water Works Association. The Authority notes that it has been replacing metallic mains since 1980 with approximately 178,000 feet remaining; replacement will be completed by 2020. In addition the Authority's Master Planned Improvements program requires approximately \$4,000,000 in infrastructure repair and replacement.

## SECTION D: GOVERNANCE

*1. Explain the composition of agency's governing body and indicate if elections or appointments are at large or by district.*

**City of Chula Vista (sewer only)** is a charter city with four council members and a mayor, all elected *at-large*.

**Helix WD** has a five-member board elected by divisions in staggered elections. Directors elected from a division must be a resident of that division.

**Lemon Grove SD** is governed by the City Council of Lemon Grove acting as the Board of Directors for the District.

**Otay WD** has five directors elected by divisions.

**Padre Dam MWD** has five directors elected for staggered terms in general elections. Directors are elected by voter divisions.

**Spring Valley SD** is a dependent district governed by the five-member San Diego County Board of Supervisors.

**Sweetwater Authority** is governed by a seven-member board; five members are Directors of the South Bay Irrigation District and two members are appointed by

the City of National City. The South Bay Irrigation District Board of Directors is elected by divisions for staggered terms.

2. Provide a three-year history of agency election and appointment results; identify candidates and winner/appointee for each position.

**City of Chula Vista (sewer only)**

	<b>March 2000</b>	<b>November 2000</b>	<b>March 2002</b>
Mayor			M. Salas and S. Padilla run-off in November 2002 election; opposed by P. Barajas
Council Seat 1			P. Davis elected with 66.8% of vote; opposed by V. Pina and L. Monge
Council Seat 2			J. McCann elected with 56.4% of the vote; opposed by A. Moreno and B. Griego
Council Seat 3	J. Rindone and M. Diaz run-off; opposed by J. McCann, S. Castenada, M. Cortes, V. Pina, J. Chantengo, G. Alabado and K. Kurtz	J. Rindone elected in run-off election; opposed by M. Diaz	
Council Seat 4	M. Salas elected; opposed R. Gonzales		

**Helix WD**

	<b>1998</b>	<b>1999</b>	<b>2000</b>
Division 1		J. Linden appointed to complete term of L. Childs	J. Scalzitti elected with 43.36% of vote; opposed by J. Linden, D. Burke and A. Zajak
Division 2	H. Ball unopposed		
Division 3			H. W. Buckner (unopposed)
Division 4	J. Lewanski elected with 69.93% of vote; opposed by T. Orlando		
Division 5			B. Barber elected with 59.11% of vote; opposed by F. Sarmiento

**Lemon Grove SD** Board does not have elections; the City of Lemon Grove City Council sits as the Board of Directors.

**Otay WD**

	<b>November 2000</b>	<b>November 2001 (Special Election)</b>
Division 1		
Division 2	J. Bonilla*; opposed by T. Dougherty, S. Price and J. White.	
Division 3		District Recruitment: G. Babcock, G. Croucher* I. Schwartz and E. Suhay; Board of Supervisors recruitment: G. Babcock, D. Ballestros, G. Croucher*, L. Green, N. Hardman and I. Schwartz. G. Croucher appointed
Division 4	J. Lopez*; opposed by F. Poveda, R. Rodriguez and D. Turgeon	
Division 5	F. Cardenas*; opposed by D. Lauder, D. Sauter and R. Wright.	District recruitment; P. Lewis*, M. May, L. Harpe, D. Lauder and T. Stanton P. Lewis appointed by District

\* Winner/appointee

**Padre Dam MWD**

	<b>November 1996</b>	<b>August 1997</b>	<b>November 1998</b>	<b>November 2000</b>
Division 1		J. Dixon appt to fill vacancy	J. Dixon elected (unopposed)	
Division 2	M. Robak*; opposed by R. M. Magee, P. Nickoli, A. Scalizitti, C. Standard			A. Scalizitti*; opposed by P. Panuco, B. Ward and V. Collinsworth
Division 3			A. Menshek*; opposed by D. Ferrell, P. Panuco	
Division 4	L. Boswell*; opposed by R. Burner, P. Culkin, D. Hickle, M. St. Pete, R. Watson and A. Zajak			L. Boswell* (Unopposed)
Division 5			D. McMillan* (Unopposed)	

\* Winner/appointee

**Spring Valley SD** is governed by the San Diego County Board of Supervisors; there have been no changes in the past three years.

**Sweetwater Authority** City of National City Mayor, G. Waters, was re-appointed in January 2000, for a term ending in December 2002; S. Jarrett was re-appointed for a term ending in December 2004. Election history for the South Bay Irrigation District follows:

	1998	November 2000	2002
Division 1	W.D. Pockington won by 67% of vote; opposed by G. Scott		Election scheduled
Division 2		J. Doud, unopposed	
Division 3		C. Wright, unopposed	
Division 4	J. S. Wolniewicz elected with 61.44% of vote; opposed by R. Gonzales		Election scheduled
Division 5		M. Welsh elected with 63% of the vote; opposed by C. Andrews	

3. *Explain compensation and benefits provided to the governing board.*

**City of Chula Vista (sewer only)** sets mayoral salary at approximately \$51,423 per year, with approximately an additional \$25,000 in other benefits (car allowances, expense, benefits etc.). Council members receive 40% of the mayor's salary, which totals approximately \$20,500 per year and approximately \$10,000 a year in benefits.

**Helix WD** sets a rate of \$150 per meeting for Board members and existing State Law establishes a 10-meeting limit per month. Board members and dependents receive benefits including health, dental, vision and life insurance. If the Board member took office before 1994, the District pays for benefits and they are eligible for PERS membership.

**Lemon Grove SD** the City Council does not receive compensation for acting as the District Board of Directors.

**Otay WD** pays the Board \$145 per meeting; service not to exceed 10 meetings per month. The Board is reimbursed for travel, mileage, meals, lodging, and incidental expenses. The Board is also entitled to benefits as provided for employees at the cost of the District.

**Padre Dam MWD** set a rate of \$130 per meeting for Board members in 1988. State Law establishes a 10-meeting per month limit. Board members also receive options for benefits including health, dental and/or life insurance for themselves and eligible dependents.

**Spring Valley SD** is governed by the San Diego County Board of Supervisors who receive \$108, 979 per year, with a benefit package averaging 26% of their salary.

**Sweetwater Authority** board members receive \$150 per meeting, with a maximum of ten meetings per month, as well as dental, eye, and life insurance.

4. *How frequently does the governing body meet? Provide a monthly record of meetings for the past three years.*

**City of Chula Vista (sewer only)** City Council meets regularly on the first four Tuesdays of each month at 4:00 or 6:00 P.M.

**Otay WD** Board meets on the first and third Wednesday of each month.

**Helix WD** Board meets the first, third and fourth Wednesday of each month.

**Lemon Grove SD** If there are items on the District agenda, the City Council meets as the District Board of Directors on the first and third Tuesday of each month after the adjournment of the regular City of Lemon Grove City Council meeting.

**Padre Dam MWD** Board meetings are scheduled on the second and fourth Tuesday of each month. Board members attend from four to 12 meetings per month.

**Spring Valley SD** is governed by the San Diego County Board of Supervisors, which meet in regular sessions at 9:00 a.m. on Tuesday and Wednesday of each week. District business, if any, will be scheduled for these meetings. Exceptions to the location or start time of the meeting will be shown on the Board of Supervisors' Agenda.

**Sweetwater Authority** Board meets on the second and fourth Wednesday of each month. The South Bay Irrigation District Board meets on the third Monday of each month. The combined Board has averaged a total of seven meetings per month over the last three years.

5. *Describe rules, procedures, and programs for public notification of agency operations, meetings, programs, etc. How is public participation encouraged? Are meetings accessible to the public, i.e., evening meetings, adequate meeting space, etc.?*

**City of Chula Vista (sewer only)** City Council meetings are held at established times; agendas are posted 72 hours in advance for regularly schedule meetings and 24 hours in advance for special meetings. Agendas are mailed to local newspapers, other public agencies, and individuals on the mailing list. Each agenda has a public comment period as prescribed by State Law where members of the public can address the Council.

**Helix WD** posts agenda on the District website and in other methods as prescribed by State Law. Board meetings start at 2:00 p.m. The District makes efforts to encourage public participation.

**Lemon Grove SD** meets during the regularly scheduled time of City Council meetings. Notices of meetings are provided in the manner prescribed by law for City Council meetings.

**Otay WD** are held at established times; agendas are posted 72 hours in advance for regularly schedule meetings and 24 hours in advance for special meetings. Agendas are mailed to local newspapers, other public agencies, and individuals on the mailing list. Each agenda has a public comment period as prescribed by State Law, where members of the public can address the Board. The District also maintains a website, distributes newsletters to customers through the mail and electronically, and uses bill inserts to communicate with customers.

**Padre Dam MWD** Board meetings are held at established times; agendas are posted 72 hours in advance for regularly schedule meetings and 24 hours in advance for special meetings. Agendas are mailed to local newspapers, other public agencies, and individuals on the mailing list. Each agenda has a public comment period as prescribed by State Law where members of the public can address the Board. Board meetings start at 3:30 p.m.; however, issues concerning rates are scheduled for 6:00 p.m. to accommodate customers who work during business hours. Other means of encouraging public participation include direct mail, flyers and postcards; school announcements; messages on bills; website information; customer newsletters; new customer kits for general information; door hangers; literature available in the lobby of the administrative offices, and tours of facilities.

**Spring Valley SD** the governing board, the San Diego County Board of Supervisors, follows their *Rules of Procedure*, which encourages public participation. Each department has numerous means of soliciting and encouraging public participation.

**Sweetwater Authority** Board meetings are held at established times and agendas are posted 72 hours in advance for regularly schedule meetings, and 24 hours in advance for special meetings. Agendas are mailed to local newspapers, other public agencies, individuals and those on the mailing list. Each agenda has a public comment period as prescribed by State Law where members of the public can address the Board. Sweetwater Authority Board meetings start at 6:00 p.m., and meetings of the South Bay irrigation District start at 3:30 p.m.

6. *Describe violations or investigations within the past three years related to the Ralph M. Brown Act and the Political Reform Act. Describe Grand Jury or law enforcement agency investigations.*

**City of Chula Vista (sewer only)** None

**Helix WD** None

**Lemon Grove SD** None

**Otay WD** noted two violations of the Brown Act during the previous three years. The first occurred for closed meeting violations on November 15, and December 6, 2000, when the Board approved department head and legal counsel contracts. On January 24, 2001, the Board voted to rescind these actions.

The second violation occurred on April 18, 2001, when the Board unanimously added items to the agenda. Director Bonilla filed a petition with the Superior Court, who issued a permanent Injunction on July 31, 2001, declaring the actions

of the Board invalid and in violation of the Brown Act. Items added to July 31, 2001 are summarized below:

- Reorganization of the Board (appointed Director Innocentes as President, replacing Director Bonilla; Director Lopez as Vice-President, replacing Director Cardenas and Director Cardenas as Treasurer, replacing Director Innocentes);
- Personnel Matters Regarding the Special Counsel (terminated special legal counsel of Boniface Bonny Garcia and the firm of Burke, Williams and Sorenson, LLP);
- Personnel Matters Regarding the Acting General Manger (dismissed Acting General Manger Mateo Camarillo); and
- Personnel Matters Regarding the Appointment of an Interim General Manger (appointed James Gunstinson as Interim Acting General Manager).

**Padre Dam MWD** None

**Spring Valley SD** None

**Sweetwater Authority** None

7. *Describe agency's prior involvement in reorganization (i.e., consolidation, merger, etc.) if applicable. Explain opportunities and obstacles for future reorganizations. Provide copies of any relevant studies on reorganization that agency has conducted and summarize outcomes.*

**City of Chula Vista (sewer only)** The City of Chula Vista City Council began investigating the possibility of reorganizing the Otay Water District in 1995. Subsequent litigation resulted in an agreement between the City and the District that precludes the City from initiating a reorganization, which would result in the City providing water service in its service area.

In supplemental information provided by the City of Chula Vista on October 25, 2002, the City included a copy of a August 1993 report prepared by John Powell & Associates entitled, FEASIBILITY INVESTIGATION OF WATER SUPPLY. As described in the report, the 1993 study was, "...an overview investigation focused on identifying and comparing alternatives for water supply to the unincorporated areas east of the City and existing areas within Otay Water District (OWD).

The report concluded that "The City of Chula Vista may desire to pursue a more reliable system by further studying a water supply alternative." No reorganization was recommended.

**Helix WD** has not been involved in reorganizations during the past three years except for routine annexations.

**Lemon Grove SD** was reorganized in 1982 to align the District boundary with that of the City of Lemon Grove.

**Otay WD** None



The Otay WD noted, in supplemental information that the response from the City of Chula Vista stating, “Subsequent litigation resulted in an agreement between the City and the District that precludes the City from initiating a reorganization, which would result in the City providing water service in its service area” is inaccurate and should be corrected. The District added, “There has been no litigation between the City of Chula Vista and Otay WD. We suggest the wording be changed from litigation to discussions.”

**Padre Dam MWD** was formed in 1976 by a merger of the Rio San Diego and Santee County Water Districts. The district subsequently acquired two private water companies — Fletcher and Alpine Highlands — and merged with the Crest Public Utility District. The District notes that it has overlapping boundaries with the Lakeside and Riverview Water Districts for water service and with the County of San Diego for sewer service. Obstacles to any reorganization are also noted as being primarily political.

**Spring Valley SD** was identified in a 1999 LAFCO study as a potential candidate for reorganization with the Otay Water District. Due to a lack of interest by the Otay Water District and opposition from the Valle de Oro Community Planning Group, the reorganization was not pursued.

**Sweetwater Authority** is a joint powers agency (JPA) formed in 1968 when the City of National City and the South Bay Irrigation District filed suit to condemn the facilities of the Sweetwater District of the California-American Water Company. In 1977, ownership of the system was transferred to the South Bay Irrigation District, who sold bonds for purchase of the system. The JPA was then formed to operate the water system. In 1990 when the Sweetwater Authority sold bonds to refinance the existing bonds, the South Bay Irrigation District deeded the system to the Sweetwater Authority as a requirement of the bond sale.

## Section E: ADDITIONAL INFORMATION

- 1. Please provide any additional information that LAFCO should evaluate as part of the Southern San Diego County Sewer and Water Agencies Municipal Service Review.*

### **City of Chula Vista** None

In supplemental information dated 10/25/02, the City of Chula Vista noted: “...the City of Chula Vista has not utilized remedies outlined in Paragraph 14, Dispute Resolution, contained in the Agreement Between the City of Chula Vista and the Otay Water District for the Provision of Water Service in a portion of the City of Chula Vista.”

### **Helix WD** None

### **Lemon Grove SD** None

**Otay WD** noted its low rate of customer complaints, its new automated meter reading program (approved by the Board on 1/23/02), which is expected to save

\$4.3 million over the next 35 years, its GIS system and its Water Conservation Garden.

In supplemental information received on 10/24/02 and again on 12/05/02, the Otay WD submitted a 2002 *Evaluation Report of Otay Water District's Management Operations, and Financial Practices* prepared by Malcolm Pirnie, Inc. at the request of the Otay WD. The 2002 Evaluation Report summarizes a 2000 Malcolm Pirnie, Inc. *Review of Otay WD's, Water, Sewer, and Reclaimed Water Operations*. The City of Chula Vista and the Otay WD jointly contracted with Malcolm Pirnie, Inc. to perform the 2000 Review. Summary conclusions from the joint city/district 2000 Review, which are presented in the 2002 Evaluation Report follow:

- The District is charging fair and reasonable rates;
- The District is providing water services in a cost effective and reliable manner;
- The District's water and wastewater operations and maintenance practices are consistent with industry standards;
- The District's reclaimed water infrastructure is appropriate for its intended use;
- The Interconnection Pipeline serves a critical and useful purpose to connect the Central and Otay Mesa service areas;
- The Interconnection Pipeline significantly reduces the need for costly above ground reservoir capacity;
- The District is achieving San Diego County Water Authority 10-day outage recommendation in a cost-effective manner;
- The District's infrastructure planning is forward looking to met future growth demands; and
- The District maintains an appropriate level of unrestricted reserves.

According to the Malcolm Pirnie Evaluation, "The City did not provide Malcolm Pirnie with comments or contrary information" regarding the Report's conclusions.

**Padre Dam MWD** None

**Spring Valley SD** None

**Sweetwater Authority** provided information about the history, accomplishments and unique purposes of the Sweetwater Authority. The Authority also noted that the LAFCO RFI is in error when it states that the South Bay Irrigation District provides water service. The District notes that the South Bay Irrigation District does NOT provide water service and only has two employees. The District suggested that the service review clarify the relationship between the Sweetwater Authority and the South Bay Irrigation District.

2. *Indicate any information relevant to the Southern San Diego County Sewer and Water Agencies Municipal Service Review, which LAFCO should obtain from other agencies.*

**City of Chula Vista** included a list of 14 additional areas that the City would like addressed in the municipal service review. The City's questions are attached (Attachment C).

3. *Please specify the amount of staff time and associated costs, which were expended in providing responses to the RFI.*

<u>DISTRICT</u>	<u>HOURS</u>	<u>COST</u>
City of Chula Vista	134	No estimate provided
Helix WD	52	No estimate provided
Lemon Grove SD	37	\$1,096
Otay Water District	No estimate provided	No estimate provided
Padre Dam MWD	169	\$7,659
Spring Valley SD	95	\$6,400
Sweetwater Authority	No estimate provided	\$8,455

## City of San Diego

Comments received during initial meetings with agencies providing services within the “*Southern San Diego Sewer and Water Agencies*” study area indicated that the City of San Diego, as a purveyor of limited services in the region, should be included in the service review. Accordingly, LAFCO prepared a City of San Diego-specific Request for Information (RFI) that took into account the City’s limited role. According to State Law, a comprehensive municipal service review for the City of San Diego is required; however, that service review will be prepared at a later date as determined by San Diego LAFCO. City of San Diego responses to the current LAFCO RFI follow:

*1. Does the City of San Diego’s water service extend beyond City boundaries to affected agencies?*

The City of San Diego serves 36 accounts within the boundaries of the Sweetwater Authority and eight accounts within the Otay Water District. The City also sells treated water to the Cal American Water Company, a private water company providing service to territory within the service review area. In addition, pursuant to formal agreements, the City also provides water-related services to some of the affected agencies.

*2. What decision factors determine whether water service is extended beyond the City of San Diego boundaries?*

The City of San Diego Council policy (No. 400-1) prohibits the extension of water service to areas outside the boundaries of the City, unless obligated by law or negotiated contract, where the water is provided to public agencies, for temporary service/bulk sales where the City derives benefits.

*3. What is the contract sewer capacity of agencies within the study area?*

<u>AGENCY</u>	<u>MGD</u>
Otay WD	1.231
Padre Dam MWD	5.882
Lemon Grove SD	2.873
Spring Valley SD	9.808
City of Chula Vista	19.843
Lakeside/Alpine SD	4.586
City of San Diego	156.381

*4. How is the allocation (sewer capacity) to a particular agency determined?*

The City of San Diego allows participating agencies to buy capacity. Costs are allocated by flow, suspended solids, capacity, and annual expense. The Otay Water District purchased capacity from the Spring Valley Sanitation District when Otay WD became a member on May 15, 2000.

5. *How is capacity (sewer) to an individual agency expanded?*

The City of San Diego reviews and approves contract capacity for each agency. As City facilities are re-rated, agencies are eligible for a proportional share of the re-rated capacity.

6. *How is capacity (sewer) exchanged between agencies?*

The City of San Diego reviews and approves changes in the contract capacity for each agency.

7. *Do the City and contract agencies jointly plan for future growth?*

The City of San Diego prepares a 10-year Capital Improvement Plan for METRO sewer system using the 10-year projection of flows prepared by participating agencies. For the water system, the City coordinates plans with the SDCWA.

8. *Do the City and contract agencies jointly plan for funding infrastructure upgrades and repairs?*

The City of San Diego is responsible for funding for water and sewer system upgrades and improvements.

On September 30, 2002, the City of San Diego Water Department indicated that it had no further comments to submit regarding the City's information; however, the City wished to clarify certain information related to the City of Chula Vista's questions.

The City wrote: "Specifically, Section E, Question Number 10 of the City of Chula Vista, implied that the Otay Water District (OWD) had entered into an agreement regarding the storage of water in the City of San Diego's Lower Otay Reservoir. Please be advised that the City of San Diego has not provided OWD with contractual rights to such water storage. However, pursuant to an agreement with OWD in 1999, Otay was granted the ability to purchase surplus treated water from the City of San Diego's Otay Water Treatment Plant provided certain terms and conditions were met, including that OWD provide for the expansion of the Treatment Plant at its expense. As of this date, OWD has not furthered this relationship with the City of San Diego."

On October 15, 2002, the City of San Diego Metropolitan Wastewater Department submitted the following:

1. Regional Wastewater Disposal Agreement Between the City of San Diego and the Participating Agencies in the Metropolitan Sewerage System Dated May 18, 1998
2. First Amendment to the Agreement
3. Notice No. 1 concerning the Agreement
4. Notice No. 2 concerning the Agreement

## APPENDICES B through H

are available from the LAFCO office

(619) 531-5400