



**San Diego County**  
**Local Agency Formation Commission**  
 Regional Service Planning | Subdivision of the State of California

**7a**

**AGENDA REPORT**  
 Business | Discussion

August 5, 2019

**TO:** Commissioners

**FROM:** Keene Simonds, Executive Officer  
 Alex Vidal, Analyst I

**SUBJECT:** Draft Municipal Service Review on the Escondido Region | Part One

**SUMMARY**

The San Diego County Local Agency Formation Commission (LAFCO) will review a draft prepared as part of the scheduled municipal service review on the Escondido region. The draft represents the first of a two-part municipal service review and is specific to addressing the availability, need, and performance of public services provided in the region by Deer Springs Fire Protection District (FPD) and Rincon del Diablo Municipal Water District (MWD). This includes preparing determinative statements addressing all of the factors required under statute as part of the municipal service review mandate and headlined by population estimates, infrastructure needs, and financial standing. The draft is being presented to the Commission for discussion and feedback ahead of staff initiating a public review in anticipation of returning in October with final actions.

**BACKGROUND**

**Municipal Service Review Mandate**

State law directs San Diego LAFCO to regularly prepare municipal service reviews in conjunction with updating each local agency’s sphere of influence. The legislative intent of the municipal service review and its five-year cycle requirement is to proactively inform the

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Commission and the general public therein with regard to the availability and sufficiency of governmental services relative to current and future community needs. Municipal service reviews statutorily inform required sphere of influence updates, and may also lead the Commission to take other actions under its authority, such as forming, consolidating, or dissolving one or more special districts.

## Current Workplan |

### Municipal Service Review on the Escondido Region: Part One and Part Two

San Diego LAFCO's current workplan was adopted at a noticed hearing held on April 3, 2019 and outlines specific project goals for the fiscal year. This includes preparing a municipal service review on the Escondido region and the three local agencies – Deer Springs FPD, Rincon del Diablo MWD, and the City of Escondido – under Commission oversight that provide one or more public services in the approximate 100 square mile area. The municipal service review represents the first detailed report prepared by the Commission on the region since the early 2000s and has been divided into two distinct phases. “Part One” is specific to providing an independent assessment of the public services provided by Deer Springs FPD and Rincon del Diablo MWD. “Part Two” is specific to assessing the City of Escondido and is being separately prepared by the City as part of an earlier arrangement and will include additional focus on an anticipated reorganization proposal involving the Safari Highlands development. Both phases will come under one cover once completed.

## DISCUSSION

This item is for San Diego LAFCO to review a draft on Part One of the scheduled municipal service review on the Escondido region and specific to Deer Springs FPD and Rincon del Diablo MWD. The draft is being presented for discussion and before staff initiates a formal 45-day public comment period. Feedback provided by the Commission – including requests for additional analysis – will be incorporated into a final document presented for future action and ahead of proceeding with sphere of influence updates on both agencies.

An Executive Summary (Chapter Two) anchors the municipal service review and outlines the key conclusions and findings generated to date. This includes addressing the mandatory factors required under statute anytime San Diego LAFCO performs a municipal service review. Examples include making independent statements on infrastructure needs and deficiencies, population estimates, financial resources, and opportunities and merits therein for reorganizations. Specific recommendations for action either by the Commission and or by one or more of the affected agencies are also enumerated in the Executive Summary.

## ANALYSIS

See Executive Summary provided as part of Attachment One.

## RECOMMENDATION

It is recommended San Diego LAFCO provide feedback on Part One of the draft municipal service review on the Escondido region. This includes providing direction on desired revisions and/or additions ahead of staff circulating the draft for public review and returning with a final version for action as early as October 2019.

## ALTERNATIVES FOR ACTION

The item is being presented to San Diego LAFCO for discussion and feedback only.

## PROCEDURES

This item has been placed on San Diego LAFCO's agenda for discussion as part of the business calendar. The following procedures, accordingly, are recommended in the consideration of this item:

- 1) Receive verbal presentation from staff unless waived;
- 2) Initial questions or clarifications from the Commission;
- 3) Invite comments from interested audience members (voluntary); and
- 4) Discuss item and provide feedback as requested.

Respectfully,



Keene Simonds  
Executive Officer



Alex Vidal  
Analyst I

Attachment:

- 1) Draft Municipal Service Review on the Escondido Region: Part One

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# SAN DIEGO COUNTY LOCAL AGENCY FORMATION COMMISSION

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## ESCONDIDO REGION

Municipal Service Review | Government Code 56430

### Part One

Deer Springs Fire Protection District  
Rincon del Diablo Municipal Water District

Draft Report | August 2019

Project Manager  
Alex Vidal, Analyst I

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### **ACKNOWLEDGEMENT**

San Diego County LAFCO gratefully acknowledges the time and effort of officials and staff with the subject agencies in assisting in the preparation of this report.

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## TABLE OF CONTENTS

### CHAPTER ONE | INTRODUCTION

---

1.0 Local Agency Formation Commissions (LAFCO)	
1.1 Authority and Objectives .....	7
1.2 Regulatory Responsibilities .....	8
1.3 Planning Responsibilities .....	8
1.4 LAFCO Decision-Making .....	11
1.5 Prescriptive Funding .....	11
2.0 San Diego LAFCO	
2.1 Adopted Policies and Procedures .....	12
2.2 Commission Information .....	12
2.3 Contact Information .....	13

### CHAPTER TWO | EXECUTIVE SUMMARY

---

1.0 Overview	
1.1 Key Premises, Assumptions, and Benchmarks .....	15
2.0 Study Organization .....	17
3.0 Geographic Area & Affected Agencies .....	17
4.0 Report Summary	
4.1 General Conclusions .....	18
4.2 Recommendations .....	21
5.0 Written Determinations	
5.1 Growth and Population Projections .....	22
5.2 Location and Characteristics of Any Disadvantaged Unincorporated Communities .....	24
5.3 Capacity of Public Facilities and Infrastructure Needs and Deficiencies .....	25
5.4 Agencies' Financial Ability to Provide Services .....	29
5.5 Status and Opportunities for Shared Facilities and Resources .....	31
5.6 Local Accountability and Government Restructure Options .....	31

### CHAPTER THREE | AGENCY PROFILES

---

#### A. DEER SPRINGS FIRE PROTECTION DISTRICT

1.0 Overview .....	33
2.0 Background	
2.1 Community Development .....	34
2.2 Formation Proceedings .....	34
2.3 Post Formation Proceedings .....	35
3.0 Boundaries	
3.1 Jurisdictional Boundary .....	36
3.2 Sphere of Influence .....	37
3.3 Current Boundary and Sphere Map .....	37
4.0 Demographics	
4.1 Population and Housing .....	38
4.2 Age Distribution .....	39
4.3 Income Characteristics .....	39
4.4 Socioeconomic Indicators .....	40
5.0 Organization	
5.1 Governance .....	40
5.2 Administration .....	41

6.0 Municipal Services  
 6.1 Fire Protection and Emergency Medical ..... 42  
 7.0 Finances  
 7.1 Financial Statements ..... 45  
 7.2 Measurements | Liquidity, Capital, and Margin ..... 48  
 7.3 Pension Obligations ..... 48

**B. RINCON del DIABLO MUNICIPAL WATER DISTRICT**

1.0 Overview ..... 49  
 2.0 Background  
 2.1 Community Development ..... 50  
 2.2 Formation Proceedings ..... 50  
 2.3 Post Formation Proceedings ..... 51  
 3.0 Boundaries  
 3.1 Jurisdictional Boundary ..... 52  
 3.2 Sphere of Influence ..... 53  
 3.3 Current Boundary and Sphere Map ..... 54  
 4.0 Demographics  
 4.1 Population and Housing ..... 55  
 4.2 Age Distribution ..... 56  
 4.3 Income Characteristics ..... 56  
 4.4 Socioeconomic Indicators ..... 57  
 5.0 Organization  
 5.1 Governance ..... 57  
 5.2 Administration ..... 58  
 6.0 Municipal Services  
 6.1 Potable Water Service ..... 59  
 6.2 Recycled Water Service (Non Domestic) ..... 65  
 6.3 Wastewater Service ..... 69  
 6.4 Fire Protection and Emergency Medical ..... 70  
 7.0 Finances  
 7.1 Financial Statements ..... 73  
 7.2 Measurements | Liquidity, Capital, and Margin ..... 76  
 7.3 Pension Obligations ..... 77

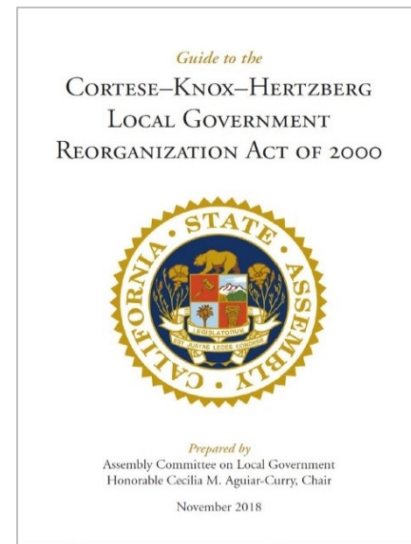
Appendix A Service Area Maps ..... \*  
 Appendix B Disadvantaged Unincorporated Communities (DUC) Maps ..... \*  
 Appendix C Sources ..... \*  
 .....

## CHAPTER ONE | INTRODUCTION

### 1.0 LOCAL AGENCY FORMATION COMMISSIONS

#### 1.1 Authority and Objectives

Local Agency Formation Commissions (LAFCOs) were established in 1963 and are political subdivisions of the State of California responsible for providing regional growth management services in all 58 counties. LAFCOs' authority is currently codified under the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 ("CKH") with principal oversight provided by the Assembly Committee on Local Government.<sup>1</sup> LAFCOs are comprised of locally elected and appointed officials with regulatory and planning powers delegated by the Legislature to coordinate and oversee the establishment, expansion, and organization of cities, towns, and special districts as well as their municipal service areas. LAFCOs' creation were engendered by Governor Edmund "Pat" Brown Sr. (1959-1967) to more effectively address the needs of California's growing and diversifying population with an emphasis on promoting governmental efficiencies. Towards this end, LAFCOs are commonly referred to as the Legislature's "watchdog" for local governance issues.<sup>2</sup>



Guiding LAFCOs' regulatory and planning powers is to fulfill specific purposes and objectives that collectively construct the Legislature's regional growth management priorities outlined under Government Code (G.C.) Section 56301. This statute reads:

*"Among the purposes of the commission are discouraging urban sprawl, preserving open space and prime agricultural lands, efficiently providing governmental services, and encouraging the orderly formation and development of local agencies based upon local conditions. One of the objects of the commission is to make studies and furnish information to contribute to the logical and reasonable development of local agencies in each county and to shape the development of local agencies so as to advantageously provide for the present and future needs of each county and its communities."*

<sup>1</sup> Reference California Government Code Section 56000 et. seq.

<sup>2</sup> In its ruling on *City of Ceres v. City of Modesto*, the 5<sup>th</sup> District Court of Appeals referred to LAFCOs as the "watchdog" of the Legislature to "guard against the wasteful duplication of services." (July 1969)

LAFCO decisions are legislative in nature and therefore are not subject to an outside appeal process. LAFCOs also have broad powers with respect to conditioning regulatory and planning approvals so long as not establishing any terms that directly control land uses.

## 1.2 Regulatory Responsibilities

LAFCOs' principal regulatory responsibility involves approving or disapproving all jurisdictional changes involving the establishment, expansion, and reorganization of cities, towns, and most special districts in California.<sup>3</sup> LAFCOs are also tasked with overseeing the approval process for cities, towns, and special districts to provide new or extended

LAFCOs have been responsible since 1963 to oversee formation, expansion, reorganization, and dissolution actions involving cities, towns, and special districts in California with limited exceptions.

services beyond their jurisdictional boundaries by contracts or agreements. LAFCOs also oversee special district actions to either activate new services and service classes or divest existing services. LAFCOs generally exercise their regulatory authority in response to applications submitted by affected agencies, landowners, or registered voters. Recent amendments to CKH also authorize and encourage LAFCOs to initiate jurisdictional changes to form, consolidate, and dissolve special districts consistent with community needs.

## 1.3 Planning Responsibilities

LAFCOs inform their regulatory actions through two central planning responsibilities: (a) making sphere of influence ("sphere") determinations and (b) preparing municipal service reviews. Sphere determinations have been a core planning function of LAFCOs since 1971 and serve as the Legislature's version of "urban growth boundaries" with regard to cumulatively delineating the appropriate interface between urban and non-urban uses within each county. Municipal service reviews, in contrast, are a relatively new planning responsibility enacted as part of CKH and intended to inform – among other activities – sphere determinations. The Legislature mandates, notably, all sphere changes as of 2001 be accompanied by preceding municipal service reviews to help ensure LAFCOs are effectively aligning governmental services with current and anticipated community needs. An expanded summary of the function and role of these two planning responsibilities follows.

LAFCOs are tasked with planning the location of future urban uses through two interrelated activities: (a) establish and update spheres of influence as gatekeepers to future jurisdictional changes and (b) prepare municipal service reviews to independently evaluate the availability and performance of governmental services relative to community needs.

<sup>3</sup> CKH defines "special district" to mean any agency of the State formed pursuant to general law or special act for the local performance of governmental or proprietary functions within limited boundaries. All special districts in California are subject to LAFCO with the following exceptions: school districts; community college districts; assessment districts; improvement districts; community facilities districts; and air pollution control districts.

## Spheres of Influence

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LAFCOs establish, amend, and update spheres for all cities, towns, and most special districts in California to designate the territory it independently believes represents the appropriate and probable future service areas and jurisdictional boundaries of the affected agencies. Importantly, all jurisdictional changes, such as annexations and detachments, must be consistent with the spheres of the affected local agencies with limited exceptions as footnoted.<sup>4</sup> Further, an increasingly important role involving sphere determinations relate to their use by regional councils of governments as planning areas in allocating housing need assignments for counties, cities, and towns.

Starting January 1, 2008, LAFCOs must review and update all local agencies' spheres every five years. In making sphere determinations, LAFCOs are required to prepare written statements addressing five specific planning factors listed under G.C. Section 56425. These mandatory factors range from evaluating current and future land uses to the

Spheres serve as the Legislature's version of urban growth boundaries and – among other items – delineates where cities, towns, or districts may seek future annexations or outside service approvals with LAFCOs. All jurisdictional changes must be consistent with the affected agencies' spheres with limited exceptions.

existence of pertinent communities of interest. The intent in preparing the written statements is to orient LAFCOs in addressing the core principles underlying the sensible development of local agencies consistent with the anticipated needs of the affected communities. The five mandated planning factors are summarized in short-form below.

1. Present and planned land uses in the area, including agricultural and open-space.
2. Present and probable need for public facilities and services in the area.
3. Present capacity of public facilities and adequacy of public services the agency provides or is authorized to provide.
4. Existence of any social or economic communities of interest in the area.
5. If the city or special district provides water, sewer, or fire, the need for those services in any disadvantaged unincorporated communities in the existing sphere.

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<sup>4</sup> Exceptions in which jurisdictional boundary changes do not require consistency with the affected agencies' spheres include annexations of State correctional facilities or annexations to cities/towns involving city/town owned lands used for municipal purposes with the latter requiring automatic detachment if sold to a private interest.

## Municipal Service Reviews

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Municipal service reviews serve as a centerpiece to CKH’s enactment in 2001 and represent comprehensive studies of the level, range, and performance of governmental services provided within defined geographic areas. LAFCOs generally prepare municipal service reviews to explicitly inform subsequent sphere determinations. LAFCOs also prepare municipal service reviews irrespective of making any specific sphere determinations in order to obtain and furnish information to contribute to the overall orderly development of local communities. Municipal service reviews vary in scope and can focus on a particular agency or governmental service. LAFCOs may use the information generated from municipal service reviews to initiate other actions under their authority, such as forming, consolidating, or dissolving one or more local agencies. Advisory guidelines on the preparation of municipal service reviews were published by the Governor’s Office of Planning and Research in 2003 and remain the lone statewide document advising LAFCOs in fulfilling this mandate.

All municipal service reviews – regardless of their intended purpose – culminate with LAFCOs preparing written statements addressing seven specific service factors listed under G.C. Section 56430. This includes, most notably, infrastructure needs or deficiencies, growth and population trends, and financial standing. The seven mandated service factors are summarized below in short-form with additional details footnoted.<sup>5</sup>

Municipal service reviews fulfill the Legislature’s interests in LAFCOs regularly assessing the adequacy and performance of local governmental services in order to inform possible future actions ranging from sphere determinations to reorganizations.

1. Growth and population projections for the affected area.
2. Location and characteristics of any disadvantaged unincorporated communities within or contiguous to affected spheres of influence.
3. Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies.
4. Financial ability of agencies to provide services.
5. Status and opportunities for shared facilities.

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<sup>5</sup> Determination No. 5 was added to the municipal service review process by Senate Bill 244 effective January 1, 2012. The definition of “disadvantaged unincorporated community” is defined under G.C. Section 56330.5 to mean inhabited territory that constitutes all or a portion of an area with an annual median household income that is less than 80 percent of the statewide annual median household income; the latter amount currently totaling \$53,735 (emphasis added).

6. Accountability for community service needs, including structure and operational efficiencies.
7. Matters relating to effective or efficient service delivery as required by policy.

#### 1.4 LAFCO Decision-Making

LAFCOs are generally governed by 11-member board comprising three county supervisors, three city councilmembers, three independent special district members, and two representatives of the general public. Some larger LAFCOs – including San Diego – also have additional board seats dedicated to specific cities as a result of special legislation. All members serve four-year terms and divided between “regulars” and “alternates” and must exercise their independent judgment on behalf of the interests of residents, landowners, and the public as a whole. LAFCO members are subject to standard disclosure requirements and must file annual statements of economic interests. LAFCOs have sole authority in administering its legislative responsibilities and decisions therein are not subject to an outside appeal process. All LAFCOs are independent of local government with the majority employing their own staff; an increasingly smaller portion of LAFCOs, however, choose to contract with their local county government for staff support services. All LAFCOs, nevertheless, must appoint their own Executive Officers to manage agency activities and provide written recommendations on all regulatory and planning actions before the membership. All LAFCOs must also appoint their own legal counsel.

State law directs all LAFCO members to independently discharge their responsibilities for the good of the region and irrespective of the interests of their appointing authorities.

#### 1.5 Prescriptive Funding

CKH prescribes local agencies fully fund LAFCOs’ annual operating costs. Counties are generally responsible for funding one-third of LAFCO’s annual operating costs with remainder one-third portions allocated to the cities/towns and independent special districts. The allocations to cities/towns and special districts are calculated based on standard formula using general tax revenues unless an alternative method has been approved by a majority of the local agencies. The funding proportions will also differ should the LAFCO have additional representation as a result of special legislation. LAFCOs are also authorized to collect proposal fees to offset local agency contributions.

## 2.0 SAN DIEGO LAFCO

### 2.1 Adopted Policies and Procedures

The majority of San Diego LAFCO's ("Commission") existing policies and procedures were initially established in the 1970s and subsequently updated in the 2000s in step with the enactment of CKH. These policies and procedures collectively guide the Commission in implementing LAFCO law in San Diego County in a manner consistent with regional growth management priorities as determined by the membership with sufficient discretion to address local conditions and circumstances. This includes overarching policies and procedures to align present and planned urban uses with existing cities and special districts and discourage proposals that would convert prime agricultural and open-space lands unless otherwise orderly relative to community needs and or sufficiently mitigated. The Commission has also established pertinent policies and procedures specific to preparing sphere updates and municipal service reviews. This includes direction to the Executive Officer to regularly prepare municipal service reviews in appropriate scope and level to inform the Commission in updating spheres in regular five-year intervals.

### 2.2 Commission Information

San Diego LAFCO holds regular meetings on the first Monday of each month at the County of San Diego Administration Center located at 1600 Pacific Highway in San Diego, California. Meetings start at 9:00 A.M. Agenda materials are posted online generally no less than one week in advance of a regular meeting. The current Commissioner roster follows.

San Diego LAFCO Membership		
Current as of July 1, 2019		
Commissioner	Appointing Authority	Affiliation
Chair Jo MacKenze	Independent Special Districts	Vista Irrigation District
Vice Chair Dianne Jacob	Board of Supervisors	County of San Diego
Jim Desmond	Board of Supervisors	County of San Diego
Mark Kersey	City of San Diego Council	City of San Diego
Mary Casillas Salas	Cities Selection Committee	City of Chula Vista
Andy Vanderlaan	Commission	Representative of the Public
Bill Wells	Cities Selection Committee	City of El Cajon
Barry Willis	Independent Special Districts	Alpine Fire Protection District
Chris Cate, Alternate	City of San Diego Council	City of San Diego
Greg Cox, Alternate	Board of Supervisors	County of San Diego
Serge Dedina, Alternate	Cities Selection Committee	City of Imperial Beach
Erin Lump, Alternate	Independent Special Districts	Rincon del Diablo Municipal Water
Harry Mathis, Alternate	Commission	Representative of the Public

#### Immediate Past Members in 2019:

Catherine Blakespear, Cities Selection Committee, City of Encinitas

Ed Sprague, Independent Special Districts, Olivenhain Municipal Water District

Judy Hanson, Independent Special Districts, Leucadia Wastewater District (alt)



## 2.3 Contact Information

San Diego LAFCO's administrative office is located within the County of San Diego's Operations Center at 9335 Hazard Way in San Diego (Kearny Mesa). Visitor parking is available. Appointments to discuss proposals or other matters are encouraged and can be scheduled by calling 858.614.7755. Communication by email is also welcome and should be directed to [lafco@sdcounty.ca.gov](mailto:lafco@sdcounty.ca.gov). Additional information regarding San Diego LAFCO's programs and activities is also online by visiting [www.sdlafco.org](http://www.sdlafco.org).

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## CHAPTER TWO | EXECUTIVE SUMMARY

### 1.0 OVERVIEW

This report is part of San Diego LAFCO’s scheduled municipal service review of the Escondido region in north-central San Diego County. The report has been prepared by staff and consistent with the scope of work approved by the Executive Officer and includes dividing the municipal service review into two distinct phases. This report covers “Part One” of the municipal service review and is specific

The purpose of the report is to produce an independent “snapshot” of the availability, adequacy, and performance of two of the three agencies under Commission oversight in the Escondido region: Deer Springs FPD and Rincon del Diablo MWD. The Commission will draw on this information in guiding a subsequent sphere update, informing future boundary changes, and if merited serve as the source document to initiate one or more reorganizations.

to providing an independent assessment of the public services provided by two of three local agencies in the region subject to Commission oversight – Deer Springs Fire Protection District (FPD) and Rincon del Diablo Municipal Water District (MWD) – and relative to the LAFCOs’ regional growth management duties and responsibilities. This includes evaluating the current and future relationship between the availability, demand, and adequacy of these agencies’ municipal services. Information generated as part of the report will be used by the Commission in (a) guiding subsequent sphere updates, (b) informing future boundary changes, and – if merited – (c) initiating government reorganizations, such as special district formations, consolidations, and/or dissolutions.

The third local agency included in the regional municipal service review is the City of Escondido and will be covered in “Part Two.” This phase of the municipal service review is being separately prepared by Escondido as part of an earlier arrangement with LAFCO staff and will include additional focus on an anticipated reorganization proposal involving the Safari Highlands development. Both phases will come under one cover once completed.

#### 1.1 Key Premises, Assumptions, and Benchmarks

The report has been oriented in scope and content to serve as an ongoing monitoring program of the Escondido region and specifically Deer Springs FPD and Rincon del Diablo MWD. It is expected San Diego LAFCO will revisit the report and key assumptions and benchmarks therein approximately every five years consistent with the timetable set by the Legislature and memorialized under adopted policy. This will also allow the Commission – among other tasks – to assess the accuracy of earlier projections and make appropriate changes in approach as needed as part of future reports. Key assumptions and benchmarks affecting scope and content in this report follow.

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## **Looking Back | Determining the Data Collection Range or Report Period**

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The period for collecting data to inform the Commission’s analysis and related projections on population growth, service demands, and finances has been set to cover the five-year fiscal period from 2014 to 2018 with limited exceptions. This data collection period – which covers the 60 months immediately preceding the start of work on the document – purposefully aligns with the five-year timeline for the report with the resulting data trends appearing most relevant in making near-term projections; i.e., data from the last five years is most pertinent in projecting trends over the next five years.

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## **Looking Forward | Setting the Report’s Timeframe**

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The timeframe for the report has been oriented to cover the next five-year period through 2023 with the former (five years) serving as the analysis anchor as contemplated under State law. This timeframe is consistent with the five-year cycle legislatively prescribed for municipal service reviews under G.C. Section 56430 and expected therein to inform all related sphere of influence and boundary actions undertaken during this period involving the San Diego County SD unless otherwise merited.

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## **Calculating Population Estimates and Projections**

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Past and current residential population estimates in the report draw on data generated by Esri and their own mapping analyses of census tracts. This approach differs from past Commission practice to utilize estimates by the San Diego Association of Governments or SANDAG and done so given – and among other factors – the ability of Esri’s mapping software to readily sync with special district boundaries. Projections over the succeeding five-year period are made by LAFCO and apply the estimated growth trend in each service area over the last 60 months with limited exceptions; i.e., population growth over the last five years is generally expected to hold over the next five years.

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## **Focusing on Macro-Level Determinations**

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The report focuses on central service outputs with respect to quantifying availability, demand, and adequacy of municipal services provided in the Escondido region and specific to Deer Springs FPD and Rincon del Diablo MWD. A prominent example involves focusing on annual system-wide demands (water usage, onsite responses, etc.) generated during the five-year report period as opposed to specific areas or zones. This approach informs macro-level determinations for all mandatory factors under statute. When applicable, the report notes the need for more micro-level analysis as part of addendums or future municipal service reviews.

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## Benchmarking Infrastructure Needs and Deficiencies

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Similar to the preceding factor the report and its analysis focuses on average system demands generated in each affected agency's service area during the 60-month study period in benchmarking infrastructure needs or deficiencies. This broader focus on averages provides a more reasonable account of system demands and helps to control against one-year outliers in analyzing overall relationships with capacities.

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## Benchmarking Fiscal Solvency

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Several diagnostic tools are used to assess and make related determinations on each affected agency's financial solvency based on a review of available audited information during the report period, fiscal years 2014 to 2018. This includes an emphasis on analyzing current ratio, debt-to-net assets, and total margin. These specific diagnostics provide the Commission with reasonable benchmarks to evaluate liquidity, capital, and margin and calculated to track overall trends and final-year standing.

## 2.0 STUDY ORGANIZATION

This chapter serves as the Executive Summary and outlines the key conclusions, recommendations, and determinations generated within the report.<sup>6</sup> This includes addressing the mandatory factors required for consideration by the Legislature anytime San Diego LAFCO performs a municipal service review. The Executive Summary is preceded by individual agency profiles (Chapter Three) of the two agencies covered in this report that provide municipal services in the Escondido region, Deer Springs FPD and Rincon del Diablo MWD. The profiles transition between narrative descriptions of the background and development of these agencies' service areas to quantifying specific data-driven categories. This includes quantifying demographic trends, service capacities, and financial standing.

## 3.0 GEOGRAPHIC AREA

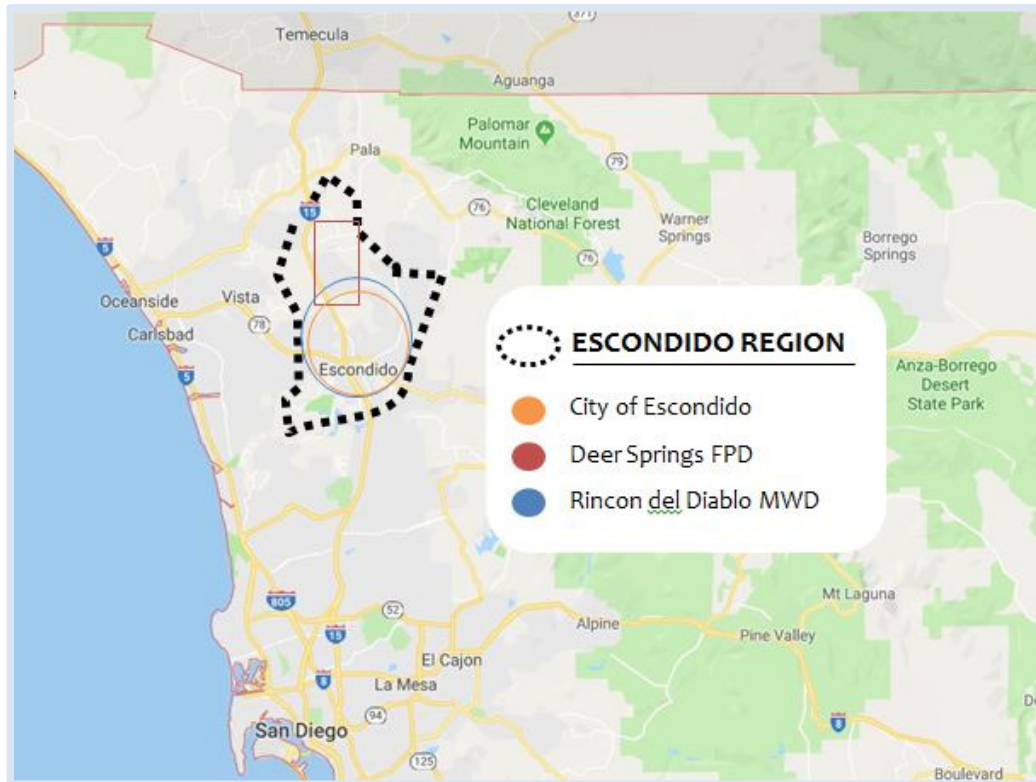
The geographic area designated for this municipal service review and its two distinct phases – Parts One and Two – is close to 100 square miles in size.<sup>7</sup> The geographic area has been purposefully designated by the Executive Officer to include all three local agencies in the greater Escondido region under San Diego LAFCO oversight that separately provide one or more urban supporting services, including – but not limited to – community planning, fire

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<sup>6</sup> The Executive Summary distinguishes between “conclusions,” “determinations,” and “recommendations.” Conclusions are general policy takeaways. Determinations address specific legislative factors. Recommendations address actions drawn from the determinations.

<sup>7</sup> The geographic area generally follows the City of Escondido's General Plan Land Use Map with notable deviations to include the boundaries of Deer Springs FPD and Rincon del Diablo MWD.

protection and emergency medical, recreation and parks, roads and street lighting, potable water, recycled water, police, and wastewater. These three affected agencies and their service areas within the designated geographic area are shown in the vicinity map below.



## 4.0 REPORT SUMMARY

### 4.1 General Conclusions

The Escondido region encompasses a geographically distinct subarea of “North County” removed from the coast and bisected by two of San Diego County’s most traveled commute corridors in Interstate 15 and State Route 78.<sup>8</sup> The region’s distinctions are also reflected and tenured in local government with two of the earliest city and special district establishments in San Diego County with the City of Escondido incorporating in 1888 and the Escondido Irrigation District forming in 1891; latter being subsequently dissolved with its water system eventually divided between the City and Rincon del Diablo MWD at the time of its formation in 1954.<sup>9</sup> Deer Springs FPD’s formation in 1981 completes the current and relatively confined concentration of local government in the region among these three agencies.

<sup>8</sup> Reference to SANDAG’s State of the Commute, 2015-2016.

<sup>9</sup> An interim entity – Escondido Mutual Water Company – bridged the dissolution of the Escondido Irrigation District in the early 1900s and later transfer of the original water system to the City of Escondido and Rincon del Diablo MWD.

The current estimated population within the region is approximately 182,000 with four-fifths residing within Escondido with considerable overlap with Rincon del Diablo MWD. Historically, Rincon del Diablo MWD and later Deer Springs FPD have served as unincorporated placeholders ahead of development requiring an expanded range of municipal services and annexing into Escondido. This historical trend is reflected in the rate of population growth in Escondido and the average annual change of 5.5% over a 20-year period between 1980 and 2000. More recently, however, there has been an orientation shift from this historical development pattern in the region and marked by the average annual change in population growth in Escondido decreasing to 0.7% since 2000. This change is attributed to both interest within Escondido to slow the rate of new growth and marked by General Plan Policy E and its provisions to now require voter approval to intensify land uses as well as external pushback to City annexations from neighboring unincorporated residents. This recent shift – notably and as one of the central themes detailed below – underlies a new and emerging role of Rincon del Diablo MWD and Deer Springs FPD serving as community separators in demarking the urban-rural interface in the region.

Part One of this municipal service review on the Escondido region produces seven central conclusions relative to San Diego LAFCO's growth management tasks and interests as prescribed under statute and specific to Deer Springs FPD and Rincon del Diablo MWD. These conclusions collectively address the availability, need, and adequacy of these two agencies' municipal services and range in substance from addressing demand-to-capacity relationships to overall financial standing. The conclusions also address potential sphere changes. The conclusions are independently drawn and sourced to information collected and analyzed by the Commission between 2014 and 2018 and detailed in the agency profiles.

- **No. 1 | Good Financial Standing**

Deer Springs FPD and Rincon del Diablo MWD both finished the five-year report period in good financial standing based on standards measurements showing the agencies have relatively high or otherwise strong liquidity, capital, and margin levels. Most notably, both agencies finished each fiscal year with positive operating and total margins near or above double-digit percentages. These positive margins underlie both agencies' ability to improve their net-positions over the report period as well as double their respective operating reserve ratios.

- **No. 2 | Adequate and Available Capacities**

Deer Springs FPD and Rincon del Diablo MWD have established adequate and excess capacities in meeting current demands for their core municipal services involving fire protection and emergency medical and potable water, respectively. This includes –

and most pertinent to future growth – Rincon del Diablo MWD’s current average annual potable water demand over the five-year report period equaling no more than 35% of accessible supplies in either of the District’s two distinct service areas.

- **No. 3 | Changing Roles**

Rincon del Diablo MWD and Deer Springs FPD have historically served unincorporated areas adjacent to Escondido generally as placeholders ahead of new development requiring a range of municipal services and annexing into the City. These historical roles have begun to shift in recent years due to resident preferences as well as policy changes and underlie changing roles for the agencies as community separators in demarking the urban-rural interface in the region.

- **No. 4 | Need for Additional Service Alignment**

Rincon del Diablo MWD and Escondido share four distinct municipal service responsibilities in common: fire protection and emergency medical; potable water; recycled water; and wastewater. The agencies have synchronized the planning and delivery of three – fire protection and emergency medical, potable water, and recycled water – and in doing so delineated immediate and near-term service roles within the overlapping portions of their jurisdictional boundaries. Additional alignment is needed for wastewater to help inform capital planning for both agencies in the region and specifically within Elfin Forest, Eden Hills, and Harmony Grove.

- **No. 5 | Exploring Long-Term Governance Roles**

It would be beneficial for San Diego LAFCO to prepare an addendum to separately assess governance options involving Rincon del Diablo MWD and Escondido given overlap in boundaries and services. The addendum would respond to existing questions in the region regarding the agencies’ ultimate service roles and primarily premised as an informational document and potentially transition with sufficient merit and consensus to facilitate a functional or political consolidation.

- **No. 6 | Aligning Rincon del Diablo MWD’s Jurisdictional Boundary to Services**

Close to one-half of Rincon del Diablo MWD’s jurisdictional boundary lies outside its improvement districts and do not receive municipal services from the District. Irrespective of other conclusions, San Diego LAFCO should work with Rincon del Diablo MWD to better align the jurisdictional boundary with existing and planned service provision and remedy otherwise misplaced boundary markers.



- **No. 7 | Prepare Comprehensive Sphere of Influence Updates**

A preliminary review indicates comprehensive updates to Rincon del Diablo MWD and Deer Springs FPD's spheres of influence are merited to consider one or more changes. These updates should be performed in conjunction with an anticipated update of Escondido and be formally added to the current workplan.

## 4.2 Recommendations

The following recommendations call for specific action either from San Diego LAFCO and or one or more of the affected agencies based on information generated as part of this report and outlined below in order of their placement in Section 5.0 (Written Determinations). Recommendations for Commission action are dependent on a subsequent directive from the membership and through the adopted work plan.

1. San Diego LAFCO should coordinate with the County of San Diego and SANDAG to develop buildout estimates specific to Deer Springs FPD and Rincon del Diablo MWD and incorporate the data into the next scheduled municipal service review.
2. Rincon del Diablo MWD should continue its efforts to secure recycled water supplies to meet existing and future demands within the District. This includes – ideally – further partnering with the City of Escondido in the agencies' shared investment in recycled water as an effective means to reduce potable production needs.
3. Rincon del Diablo MWD should consider adopting its own response standards for fire protection and emergency medical services to clarify the District's performance expectations and inform additional service planning in collaboration with its contract provider, City of Escondido.
4. San Diego LAFCO should revisit the analysis in this report as appropriate in conjunction with Part Two of the municipal service review on the City of Escondido and its contract role to provide fire protection and emergency medical to Rincon del Diablo MWD.
5. Deer Springs FPD should explore opportunities to extend and/or expand its contract relationship with the County of San Diego consistent with San Diego LAFCO's policy objective to facilitate the orderly expansion of the Fire Authority and its role to organize and improve fire service in unincorporated San Diego County.

6. San Diego LAFCO should proceed to determine wastewater service responsibilities within the Elfin Forest, Eden Hills, and Harmony Grove areas and incorporate the analysis into subsequent sphere updates.
7. San Diego LAFCO should add to a future workplan an addendum to separately assess long-term governance options involving Rincon del Diablo MWD and the City of Escondido given the existing overlap in boundaries and service activities.
8. San Diego LAFCO and Rincon del Diablo MWD – and irrespective of other recommendations – should pursue realignment of the District’s jurisdictional boundary to more succinctly reflect existing and/or planned services.
9. A preliminary review indicates comprehensive updates to Rincon del Diablo MWD and Deer Springs FPD’s spheres of influence are merited at this time to consider one or more changes involving both agencies. These updates should be timed in step with the Escondido update and formally added to the workplan for 2019-2020.

## 5.0 WRITTEN DETERMINATIONS

San Diego LAFCO is directed to prepare written determinations to address the multiple governance factors enumerated under G.C. Section 56430 anytime it prepares a municipal service review. These determinations serve as independent statements based on information collected, analyzed, and presented in this report. The underlying intent of the determinations is to provide a succinct detailing of all pertinent issues relating to the planning, delivery, and funding of public services provided by Deer Springs FPD and Rincon del Diablo MWD in the Escondido region specific to the Commission’s growth management role and responsibilities. An abbreviated version of these determinations will be separately prepared for Commission consideration and adoption with the final report.

These determinations detail the pertinent issues relating to the planning, delivery, and funding of public services in the Escondido region and specific to Deer Springs FPD and Rincon del Diablo MWD. Determinations based on data collected and analyzed between 2014 and 2018.

### 5.1 Growth and Population Projections

1. San Diego LAFCO independently estimates Deer Springs FPD and Rincon del Diablo MWD’s total resident population within their portion of the Escondido region is 144,438 as of the end of the report period. This amount represents close to four-fifths of all estimated residents in the Escondido region and divided as follows.

(a) 12,362 residents in Deer Springs FPD

(b) 132,076 residents in Rincon del Diablo MWD

2. San Diego LAFCO estimates four-fifths – or 86% – of the resident population within Rincon del Diablo MWD overlaps with the City of Escondido. It is separately projected that 83% of all registered voters within Rincon del Diablo MWD overlap and are registered voters within the City of Escondido.
3. Population trends within the Escondido region are distinct with Rincon del Diablo MWD experiencing an annual growth rate of 0.95% compared to 0.62% within Deer Springs FPD during the five-year report period; a difference of more than one-half.
4. Recent population trends in the Escondido region reflect the distinctive service areas within Deer Springs FPD and Rincon del Diablo MWD and generally distinguished between rural (former) and suburban (latter) uses, respectively.
5. The increasing difference in land use consumption for residential development in the Escondido region is reflected in recent housing construction during the five-year report period with an estimated 2,431 new dwelling units added in Rincon del Diablo MWD compared to 94 in Deer Springs FPD; a twenty-six fold difference.
6. San Diego LAFCO projects the current growth rate within the Escondido region will generally hold over the report timeframe and this includes the continued intensification of Rincon del Diablo MWD and marked by two new unincorporated developments at its southwest boundary: Harmony Grove Village South and Valiano.
7. San Diego LAFCO should coordinate with the County of San Diego and SANDAG to develop buildout estimates specific to Deer Springs FPD and Rincon del Diablo MWD and incorporate the information into the next scheduled municipal service review.
8. Monthly housing costs in the Escondido region and specifically within Deer Springs FPD and Rincon del Diablo MWD are relatively equal and have largely stagnated over the five-year report period and attributed – among other factors – to increased housing stock. The composite monthly housing cost of \$1,932 within the two Districts, however, remains one-fifth higher than the countywide average of \$1,578.

9. A review of demographic information reveals similarities in economic and social standing within Deer Springs FPD and Rincon del Diablo MWD that collectively contrast with countywide averages and highlighted by the population being generally older with more income. Additional demographic details follow.
  - (a) Residents within Deer Springs FPD and Rincon del Diablo MWD tend to be older with medium ages of 46 and 41, respectively; ages that are one-fifth higher than the current countywide average of 35.
  - (b) Residents within Deer Springs FPD and Rincon del Diablo MWD have similarly experienced moderate increases in their household incomes during the report period with present median amounts at \$80,685 and \$88,882, respectively. These amounts are one-fifth or more above the countywide average of \$66,529.
  - (c) Residents within Deer Springs FPD and Rincon del Diablo MWD are increasingly homogeneous as measured by non-English language residents decreasing by no less than (10%) in both Districts during the report period. Non-English speaking resident totals in both Districts are also one-fourth below the countywide average.

## 5.2 Location and Characteristics of Any Disadvantaged Unincorporated Communities

1. San Diego LAFCO estimates approximately 3% of the Escondido region within Deer Springs FPD and Rincon del Diablo MWD currently qualifies as a disadvantaged unincorporated community under State and local policy. Additional details follow.
  - (a) An estimated 6% of Deer Springs FPD's jurisdictional boundary comprising 1,523 acres qualifies as a disadvantaged unincorporated community. The subject lands are entirely located on the west end of the District and include 118 parcels with Assessor records suggesting 29% are already developed.
  - (b) An estimated 1% of Rincon del Diablo MWDs jurisdictional boundary comprising 98 acres qualifies as a disadvantaged unincorporated community. The subject lands are located in two distinct areas within the District center and include 126 parcels with Assessor records suggesting 96% are already developed.

2. Adjacent non-jurisdictional lands currently qualifying as disadvantaged unincorporated communities apply only to Deer Springs FPD and lie west towards Bonsall. These adjacent disadvantaged unincorporated community lands total 1,144 acres with Assessor records suggesting 75% are developed.
3. State law emphasizes San Diego LAFCO consider the availability of fire protection, water, and wastewater services in disadvantaged unincorporated communities as part of the municipal service review process. To this end, the following statements apply.
  - (a) All adjacent lands to Deer Springs FPD that currently qualify as disadvantaged unincorporated communities are within the jurisdictional boundaries of organized fire protection, water, and wastewater service providers that include Vista FPD, Rainbow MWD and Vallecitos Water District.
  - (b) Additional analysis is needed to assess the portion of adjacent lands to Deer Springs FPD that currently qualify as disadvantaged unincorporated communities in determining the status of actual connections to the water and wastewater systems operated by Rainbow MWD and Vallecitos Water District.
4. A sizeable area adjacent to Rincon del Diablo MWD to the west and southwest – including Elfin Forest – previously qualified as a disadvantaged unincorporated community. This designation was removed in 2018 based on new census data showing improved economic conditions, and it is reasonable to assume this may duplicate in the near future involving current qualifying lands adjacent to Deer Springs FPD.

### **5.3 Capacity of Public Facilities and Infrastructure Needs and Deficiencies**

1. Deer Springs FPD and Rincon del Diablo MWD have established adequate capacities in meeting current demands in the Escondido region for their core municipal services under normal conditions involving fire protection and emergency medical and potable water, respectively. These capacities and excesses therein are expected to sufficiently hold through the end of the report timeframe.
2. The following statements apply to the Deer Springs FPD with respect to the availability, adequacy, and performance of its lone active municipal service: fire protection and emergency medical.

- (a) Deer Springs FPD's fire protection and emergency medical services commenced in 1982. These services successfully transitioned from an initial combination career-volunteer organization to all-career organization through a contract with CAL FIRE and presently serve an estimated resident population of 12,362.
  - (b) Overall onsite incidents within Deer Springs FPD have averaged 2.9 daily over the five-year report period. Demands have also increased overall by 29% during this period and are largely attributed to incidents along Interstate 15.
  - (c) Deer Springs FPD has responded exclusively to 85% of all onsite incidents within the District during the five-year report period without the aid of outside agencies. This response rate substantiates the District has developed and maintained adequate resources to meet demands.
  - (d) Less than 7% of all onsite incidents within Deer Springs FPD during the five-year report period were responded exclusively by outside agencies through automatic or mutual aid agreements. This limited dependence on outside agencies coupled with the corresponding increase in overall demand further substantiates the District has available and excess capacities to meet demands.
3. The following statements apply to the Rincon del Diablo MWD with respect to the availability, adequacy, and performance of its four active municipal services: potable water; recycled water; wastewater; and fire protection and emergency medical.
  - (a) With respect to potable water, San Diego LAFCO determines the following.
    - i. Rincon del Diablo MWD's potable water services commenced in 1955 and presently comprises two non-contiguous service areas, Improvement District 1 and Improvement District A. The estimated combined resident population within the two service areas is 29,955.
    - ii. Rincon del Diablo MWD's potable water supplies are entirely drawn by contract from the San Diego County Water Authority. The availability of these supplies – notably – has proven increasingly reliable due to ongoing investments and absent a significant infrastructure failure is considered relatively stable and can withstand normal weather fluctuations.

- iii. The average annual water production demands during the five-year report period for Rincon del Diablo MWD's main service area – Improvement District 1 – represents 9% of its maximum accessible supply based on infrastructure capacity to the Water Authority. The average peak-day demand during the period represents 19% of the District's available supply.
- iv. The average annual water production demands during the five-year report period for Rincon del Diablo MWD's second service area – Improvement District A – represents 34% of its maximum accessible supply based on infrastructure capacity to the Water Authority via the City of Escondido. The average peak-day demand during the period, however, exceeds infrastructure capacity and produces a (26%) shortfall and necessitates dependency on storage to meet high usage periods.
- v. Rincon del Diablo MWD's potable storage in Improvement District 1 can readily accommodate peak-day demands with the five-year report period average representing 39% of existing capacity. This storage amount is sufficient to cover 5.2 days of average daily usage without recharge.
- vi. Rincon del Diablo MWD's potable storage in Improvement District A can readily accommodate peak-day demands with the five-year report period average representing 55% of existing capacity. This storage amount is sufficient to cover 6.9 days of average daily usage without recharge.
- vii. Rincon del Diablo MWD's overall daily per capita water demand has decreased by (13.9%) over the five-year report period. This contrast with an overall estimated growth rate of 5% and suggest residents have economized usage through various conservation activities.

(b) With respect to recycled water, San Diego LAFCO determines the following.

- i. Rincon del Diablo MWD's recycled water services commenced in 2004 and are currently dependent on supplies and connection therein to City of Escondido through a 1999 agreement with an initial term date of 2033.
- ii. The agreement with the City of Escondido has proven reliable to date in providing Rincon del Diablo MWD adequate supplies to meet recycled water demands within the District. However, the agreement only guarantees an annual amount of recycled water presently equal to less than one-fifth of the

District's average annual demand during the five-year report period. The lack of additional supply guarantees leaves Rincon del Diablo MWD's investment in recycled water susceptible to shortfalls going forward and merits remedy and ideally through an expanded agreement with Escondido.

- iii. Rincon del Diablo MWD's recycled water system is currently operating at capacity with respect to accessing available supplies from the City of Escondido based on average demands generated during the five-year report period. This capacity constraint is highlighted by annual demand averages equaling 126 % of the rated capacity of the interties with Escondido and results in added dependency on City storage, which is limited and has less than one day's worth of capacity to meet just District demands.
- iv. The expected addition of recycled water supplies generated at Rincon del Diablo MWD's own Harmony Grove Village facilities will improve – but not eliminate – the current shortfall in daily supplies.
- v. Existing annual recycled water demands for Rincon del Diablo MWD now equal more than one-half of the District's potable water production.

(c) With respect to wastewater services, San Diego LAFCO determines the following.

- i. Rincon del Diablo MWD's wastewater service commenced in 2019 in conjunction with San Diego LAFCO's approval of the "Harmony Grove Village Reorganization." The approval included the activation of Rincon del Diablo MWD's latent wastewater service power and authorization therein to serve (collection, treatment, and disposal) the Harmony Grove Village development and its 742 residential dwelling units.
- ii. Rincon del Diablo MWD's Harmony Grove Village facilities are designed to accommodate an average daily wastewater flow of 0.180 million gallons. Based on early demands, it appears these facilities will have excess capacity post buildout of Harmony Grove Village to accommodate additional flows equivalent to no less than 155 dwelling units without expansion.
- iii. The municipal service review for the 2023-2027 study cycle period will be the first opportunity for San Diego LAFCO to document Rincon del Diablo MWD's actual wastewater demands and trends.



- (d) With respect to fire protection and emergency medical services, San Diego LAFCO determines the following.
- i. Rincon del Diablo MWD's fire protection and emergency medical services commenced in 1976 within the unincorporated portion of its jurisdictional boundary, which is referred to as Improvement District E. These services are now provided by contract from the City of Escondido with an estimated resident population of 14,133.
  - ii. Rincon del Diablo MWD's contract with the City of Escondido represents a successful functional consolidation that provides improved cost-certainty to the District and eliminates otherwise duplicative services in the region.
  - iii. Overall service demands for fire protection and emergency medical within Rincon del Diablo MWD during the five-year report period have averaged 581 onsite responses annually or 1.6 per day. This average represents less than 5% of overall City of Escondido onsite demands during the period.
  - iv. The City of Escondido reports onsite responses in Rincon del Diablo MWD generally conform to the City's own adopted standard for priority calls of seven and one-half (7½) minutes no less than 90% of the time over the five-year report period.
  - v. Rincon del Diablo MWD should consider adopting its own response standards for fire protection and emergency medical services to clarify the District's performance expectations and inform additional service planning.
  - vi. Additional analysis regarding demands and performance of fire protection and emergency medical services within Rincon del Diablo MWD will be incorporated into the second phase of the municipal service review and the comprehensive evaluation of the City of Escondido.

#### 5.4 Agencies' Financial Ability to Provide Services

1. Deer Springs FPD and Rincon del Diablo MWD both finished the five-year report period in good financial standing based on standard measurements showing the agencies have relatively high or otherwise good liquidity, capital, and margin levels. This good and sustained fiscal standing serves to stabilize both agencies' municipal service activities in the Escondido region and reflects effective management.

2. Deer Springs FPD's net position has steadily increased each year during the five-year report period with an overall change of 24% from \$10.6 million to \$13.1 million and produces a net gain of \$2.5 million. Additional details on financial standing follow.
  - (a) The unrestricted portion of Deer Springs FPD's net position has increased by three-fifths over the five-year report period and finished with a balance equal to cover 25 months of actual operating expenses.
  - (b) Deer Springs FPD experienced an average annual total margin gain of 14% during the five-year report period paired with a slightly higher operating margin.
  - (c) Deer Springs FPD finished the five-year report period with nearly no debt.
  - (d) Deer Springs FPD does not have any pension obligations.
  
3. Rincon del Diablo MWD's net position has steadily increased during the report period with an overall change of 15% from \$51.7 million to \$59.4 million and produces a net gain of \$7.8 million. Additional details on financial standing follow.
  - (a) The unrestricted portion of Rincon del Diablo MWD's net position has increased by over one-third during the five-year report period and finished with a balance equal to cover 15 months of operating expenses.
  - (b) Rincon del Diablo MWD experienced an average annual total margin gain of 17% during the five-year report. The operating margin finished lower with an overall change of 7%.
  - (c) Rincon del Diablo MWD finished the five-year report period with a relatively low debt ratio of 17% with nearly all of it tied to recently assuming \$10.1 million in debt in 2016 to make improvements to the potable water distribution system.
  - (d) Rincon del Diablo MWD's combined funded ratio for pension obligations as of the last annual valuation is 75.3% and considered average relative to industry standards. This ratio – nonetheless – has decreased overall by (11%) over the prior 48-month period in which statements from CalPERS were available.

## 5.5 Status and Opportunities for Shared Facilities and Resources

1. Deer Springs FPD and Rincon del Diablo MWD have both established responsive shared resources with other agencies in fulfilling their responsibilities to provide specified municipal services to their respective constituents in the Escondido region. A pertinent example involving both Districts involves their decisions to contract out fire protection operations, and in doing so co-op the economies of scale offered by larger service providers in CAL FIRE and City of Escondido.
2. Deer Springs FPD has established a mutually beneficial contract relationship with the County of San Diego Fire Authority that currently provides the District with \$0.800 million annually towards the District's CAL FIRE contract and in return helps fortify fire protection coverage in its unincorporated service area. Opportunities to extend and/or strengthen this relationship should be explored consistent with San Diego LAFCO's policy objective to facilitate the orderly expansion of the County Fire Authority and its role to organize and improve fire service in unincorporated San Diego County.
3. Recycled water has become a valuable commodity in the Escondido region and evident with its sales representing now one-third of all Rincon del Diablo MWD's water production. Rincon del Diablo MWD's ability to maintain and expand its recycled water operations, however, requires additional supplies and ancillary facilities with options therein seemingly limited to expanding its relationship with the City of Escondido.
4. Additional analysis is merited to consider opportunities for new and/or expanded resource sharing within the Escondido region involving both Deer Springs FPD and Rincon del Diablo MWD as well as with the City of Escondido. San Diego LAFCO, accordingly, defers additional analysis to the second phase of this municipal service review and the evaluation of the City of Escondido.

## 5.6 Local Accountability and Government Restructure Options

1. Deer Springs FPD and Rincon del Diablo MWD are both governed by responsive officials and illustrated by holding regular monthly meetings, overseeing balanced budgets, and employing and/or otherwise contracting with professional staff. These attributes create trust with constituents and help ensure their ongoing financial investment in the agencies is appropriately reciprocated.

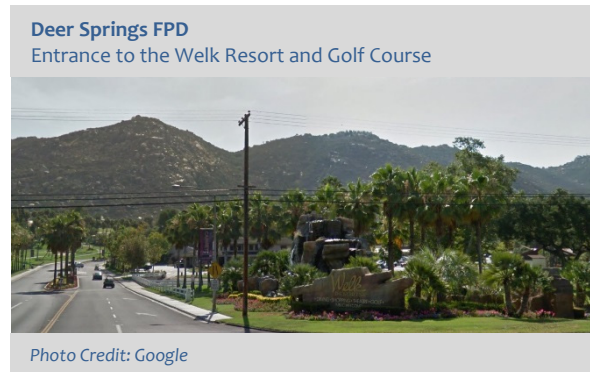
2. San Diego LAFCO should proceed to further evaluate and determine wastewater service responsibilities in the southwest portion of the Escondido region and incorporate the analysis into subsequent sphere updates. The analysis would respond to current uncertainty in the region given overlapping infrastructure and interests therein between Rincon del Diablo MWD and the City of Escondido to provide wastewater services to existing and planned development.
3. San Diego LAFCO should add to a future workplan an addendum to separately assess governance options involving Rincon del Diablo MWD and the City of Escondido given the existing overlap in boundaries and service activities. The addendum would address existing questions in the region and premised as an informational document and possibility transition with merit to facilitate a functional or political consolidation with the latter including – but not limited to – creation of a subsidiary district.
4. A sizeable portion of Rincon del Diablo MWD’s jurisdictional boundary lies outside any of its improvement districts and do not receive any municipal services from the District. Irrespective of other determinations, it would be appropriate for San Diego LAFCO to work with Rincon del Diablo MWD to align the jurisdictional boundary to more succinctly reflect existing and/or planned services and eliminate non-responsive and/or otherwise artificial boundary markers.
5. A preliminary review indicates comprehensive updates to Rincon del Diablo MWD and Deer Springs FPD’s spheres of influence are merited at this time to consider one or more changes involving both agencies. These updates should be timed in step with the Escondido update and formally added to the workplan for 2019-2020.

## CHAPTER THREE | AGENCY PROFILES

### A. DEER SPRINGS FPD

#### 1.0 OVERVIEW

The Deer Springs Fire Protection District (FPD) is an independent special district formed in 1981. Formation proceedings were initiated by the County of San Diego on behalf of interested landowners for purposes of assuming and formalizing fire protection services previously provided to the unincorporated community by the Deer Springs Volunteer Fire Company. Deer Springs FPD encompasses an approximate



44.2 square mile or 28,275 acre jurisdictional boundary to the immediate north and east of the Cities of Escondido and San Marcos. The jurisdictional boundary is anchored by two distinct residential subdivisions – Jesmond Dene and Hidden Meadows – and the Welk Resort and Golf Course. An approximate 17 mile section of Interstate 15 also bisects the jurisdictional boundary. Governance is provided by a five-person board with members directly elected at-large by registered voters and serve four-year terms.

Deer Springs FPD is organized as a limited purpose agency with municipal operations activities tied to providing two distinct services – structural fire protection and emergency medical – with both facilitated through a staffing contract with the California Department of Forestry and Fire Protection or CAL FIRE. Deer Springs FPD is also authorized – subject to LAFCO approving latent power expansions – to provide ambulance, hazardous material transport/disposal, and weed and rubbish abatement.<sup>10</sup> The operating budget at the end of the report period (2017-2018) was \$6.812 million with three-fourths – \$4.929 million – paying the CAL FIRE contract. The last audited financial statements cover 2017-2018 and show the net position totaling \$13.091 million with the unrestricted portion tallying \$10.687 million. This latter amount represents the equivalent of 25 months of recent operating expenses.

LAFCO independently estimates the fulltime resident population within Deer Springs FPD is 12,362 as of the term of this report period and accommodated through 4,781 current housing units. It is also estimated the overall resident population has increased by 612 since 2010 with

<sup>10</sup> Ambulance services separately require approval from the County of San Diego to award an operating contract.

a resulting annual growth rate of 0.62%, which is one-third below the countywide average. It is also projected growth will continue over the next five-year period consistent with recent trends given no substantive projects are planned and result in the population reaching 12,821 in 2023. The median household income is \$80,685 based on the current five-year period average and more than one-fifth higher than the countywide average.

## 2.0 BACKGROUND

### 2.1 Community Development

Deer Springs FPD's present-day service area initially developed in parallel to the neighboring City of Escondido and the shared aftermath of the award and subsequent subdividing of the Rancho Rincon del Diablo land grant to Juan Bautista Alvarado in 1843. Unlike municipal lands to the south, the service area developed and maintained its agrarian uses well into the 1900s. Residential development began to occur in the service area by 1920s and marked by the County of San Diego approving the first unit of



the Jesmond Dene Subdivision and its initial 266 lots in 1924. Subsequent residential developments coupled with regional growth demands led to the addition of the service area in the formation of the Valley Center Municipal Water District in 1954. This latter formation, notably, led to a new phase of planned development in the service area with the Lawrence Welk Resort and Golf Course in 1964 and the Hidden Meadows Subdivision in 1971.<sup>11</sup> The Deer Springs Volunteer Fire Company was subsequently created in 1972 to establish localized fire protection for the service area. The original fire station was constructed in 1981 with proceeds from developer fees along with trucks and equipment from the County.

### 2.2 Formation Proceedings

Deer Springs FPD's formation was initiated by the County of San Diego on behalf of interested landowners in August 1980 for purposes of improving fire protection levels in the service area and through its own ability to raise dedicated public funding. LAFCO approved the formation in July 1981 subject to voter approval and on the condition of passing an availability charge to provide baseline funding for fulltime paid personnel to augment ongoing volunteer activities.

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<sup>11</sup> Units One and Two of the Hidden Meadows Subdivision were approved in 1971 and 1973, respectively, and collected totaled 240 lots.

Voters subsequently approved the formation and the accompanying availability charge in November 1981.<sup>12</sup>

### 2.3 Post Formation Activities

A summary of notable activities undertaken by Deer Springs FPD and/or affecting the District's jurisdictional boundary following its formation in 1981 is provided below.

- Deer Springs FPD assumes full funding responsibilities from the County of San Diego for fire protection services within its jurisdictional boundary in July 1982.
- Deer Springs FPD adopts budget in June 1983 for the 1983-1984 fiscal year that raises paid personnel from three to six while retaining 24 volunteers.
- LAFCO establishes a sphere of influence for Deer Springs FPD in November 1983. The sphere is set as a smaller-than-agency designation and excludes jurisdictional lands lying within the spheres of the Cities of Escondido and San Marcos with the premise these lands will ultimately be served by City fire operations.
- Deer Springs FPD establishes a contract relationship with CAL FIRE to assume full operations beginning in July 1994.
- Deer Springs FPD receives voter approval to establish a second special assessment to fund enhanced fire suppression services in July 2004.
- LAFCO updates and affirms Deer Springs FPD's sphere of influence as a smaller-than-agency designation with no changes as part of countywide review of all special districts fire protection districts in February 2005.<sup>13</sup>
- The County of San Diego Fire Authority begins to provide Deer Springs FPD an annual subsidy to cover fire protection service costs in July 2006.
- LAFCO amends Deer Springs FPD's sphere of influence to exclude 15.6 acres detached and annexed to City of Escondido in October 2011.
- LAFCO updates and affirms Deer Springs FPD's sphere of influence with smaller-than-district designation with no changes in March 2014.

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<sup>12</sup> The final vote tally approving Deer Springs FPD's formation and the availability charge was 84.6% (1,351) for to 15.4% (245) against.

<sup>13</sup> Related updates are approved in May and August 2007.

### 3.0 BOUNDARIES

#### 3.1 Jurisdictional Boundary

Deer Springs FPD’s jurisdictional boundary spans approximately 44.2 square miles and covers 28,275 acres (parcels and rights-of-ways). It comprises 1.0% of the County of San Diego’s total land area. The County of San Diego is the sole land use authority within the jurisdictional boundary. The unincorporated lands are further divided for planning purposes between the County’s Valley Center Community Plan and the North Metropolitan Community Plan. The primary land use is low to moderate density residential with most of the terrain characterized as rugged with steep hillsides and deep canyons. Several distinct neighborhoods make up the jurisdictional boundary and include Castle Creek, Circle R, Gopher Canyon, Jesmond Dene, Hidden Meadows, Rimrock, and Welk Resort. Overall there are 8,654 registered voters currently within Deer Springs FPD.

Deer Springs FPD’s jurisdictional boundary spans 44.2 square miles or 28,275 acres. It is entirely unincorporated and overlaps the land use authority of the County of San Diego.

Deer Springs FPD Boundary Breakdown By Land Use Authority Table 3.1a (Source: Esri and San Diego LAFCO)				
Land Use Authority	Total Assessor Parcel Acres	% of Total Assessor Parcel Acres	Total Assessor Parcels	Number of Registered Voters
County of San Diego	28,275	100%	31,136	8,674

Total assessed value (land and structure) within the jurisdictional boundary is \$2.439 million as of April 2019 and translates to a per acre value ratio of \$73.61. The former amount further represents a per capita value of \$197.30 based on the estimated service population of 12,362. Deer Springs FPD receives 2.07% of the annual 1.0% of property tax collected in the District.

The Deer Springs FPD jurisdictional boundary is currently divided into 33,136 legal parcels that total 26,805 acres excluding roads and public rights-of-way. Less than 1.0% of the parcels are under public ownership. The rest of the parcels – or 33,005 – are privately owned with 95.3% therein already showing development or improvements, albeit not necessarily at the highest density allowed. The percentage of privately-owned parcels that are already developed to some degree, however, only equals three-fifths of the acreage total. The remaining two-fifths of all privately-owned acreage in the jurisdictional boundary are vacant. Less than six percent of the jurisdictional boundary qualifies as a disadvantaged unincorporated community and involves lands along with western side towards the City of Vista.

There are 1,554 privately owned parcels within Deer Springs FPD that remain vacant and span 11,966 acres; an amount that represents more than two-fifths of the entire District.

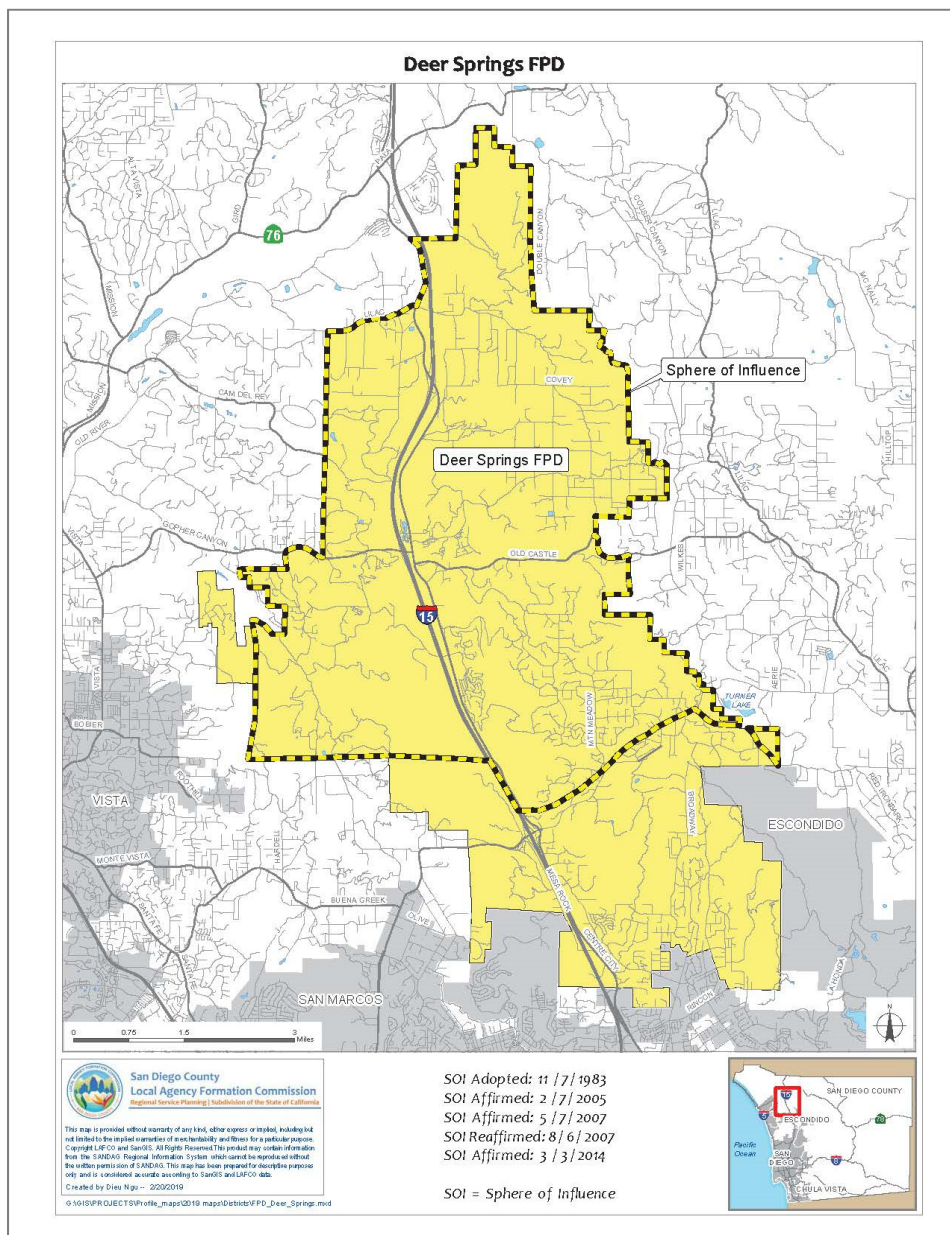


### 3.2 Sphere of Influence

Deer Springs FPD’s sphere of influence was established by LAFCO in 1983. The sphere has been subsequently updated and/or amended several times thereafter and presently spans 44.2 square miles or 28,275 acres. The sphere does not include any non-jurisdictional lands. The sphere – however – does exclude 8,020 jurisdictional acres that are simultaneously located within the spheres of the Cities of Escondido and San Marcos and represents close to 12.5% of the jurisdictional boundary.

Deer Springs FPD’s sphere of influence is 12.5% smaller than the jurisdictional boundary and excludes 8,020 jurisdictional acres.

### 3.3 Current Boundary and Sphere



## 4.0 DEMOGRAPHICS

### 4.1 Population and Housing

The Deer Springs FPD total fulltime resident population within its jurisdictional boundary is independently estimated by LAFCO at 12,362 as of the term of the five-year report period. This estimate represents 0.4% of the countywide total. It is also estimated the resident population has risen by 5.2% from 11,750

It is estimated there are 12,362 current fulltime residents within Deer Springs FPD. It is projected the population will increase consistent with recent trends and reach 12,821 by 2023.

in 2010 and the last census reset. This translates to an annual change of 0.62% and is one-third lower than the corresponding countywide trend of 0.94%. It is projected the current growth rate will maintain in the near-term and result in a resident population increasing to 12,821 by 2023. The jurisdiction has a population density of 1 resident for every 2.3 acres.

#### Deer Springs FPD Resident Population

Table 4.1a (Source: Esri and San Diego LAFCO)

Factor	2010	2018	2023 (projected)	Annual Change %
Deer Springs FPD	11,750	12,362	12,821	0.62%
San Diego County	3,095,264	3,344,136	3,499,829	0.94%

There are presently 4,781 residential dwelling units within Deer Springs FPD. This amount represents an overall increase of 94 units since 2010 for an annual gain of less than 10 units. Further, of the current total, 78.8% of dwelling units are owner-occupied, 18.6% are renter-occupied, and the remaining 7.9% are vacant. The average household size

Housing production in Deer Springs FPD currently totals 4,781 dwelling units; an amount that has increased by 94 since 2010. The average monthly housing cost in Deer Springs FPD is \$1,900, and one-fifth higher than countywide average.

is 2.9 as of 2016 and has increased 4.0% from 2.8 in 2011. The mean monthly housing cost in Deer Springs FPD has decreased by (8.8%) from \$2,084 to \$1,900 based on the most recent five-year period averages. This current monthly housing cost in Deer Springs FPD, however, remains 20.0% higher than the countywide total of \$1,578.

#### Deer Springs FPD Housing Breakdown

Table 4.1b (Source: American Community Survey and San Diego LAFCO)

Jurisdiction	2010 Housing Units	2018 Housing Units	Change	2010 Monthly Housing Cost	2018 Monthly Housing Cost	Change
Deer Springs FPD	4,687	4,781	2.0%	\$2,085	\$1,901	(8.8%)
San Diego County	1,164,766	1,236,184	6.1%	\$1,540	\$1,578	2.5%

## 4.2 Age Distribution

The median age of residents in Deer Springs FPD is 46.0 based on the current five-year period average. This amount represents an overall increase of 2.3% from 44.9 over the preceding five-year period average; it is also nearly one-third higher than the countywide average of 35.3. Residents in the prime working age group (ages 25 to 64) make up over half of the total population at 53.3% and one-tenth higher the countywide average of 47.0%.

Residents within Deer Springs FPD tend to be older with a medium age of 46.0; an amount that is close to one-third higher than the countywide average of 35.0.

### Deer Springs FPD Age Breakdown

Table 4.2a (Source: American Community Survey and San Diego LAFCO)

Service Area	2010			2018		
	Median Age	Median Age	Change	Prime Working Age	Prime Working Age	Change
Deer Springs FPD	44.9	46.0	2.3%	54.2%	53.2%	(1.7%)
San Diego County	34.6	35.3	2.0%	53.4%	47.0%	(11.9%)

## 4.3 Income Characteristics

The median household income in Deer Springs FPD is \$80,685 based on the current five-year period average. This amount represents an overall increase of 5.3% from the preceding five-year period average of \$76,624. The current median household income in Deer Springs FPD is over one-fifth higher than countywide median of \$66,259, which has separately increased over the preceding five-year period by 4.2%. The current average rate of persons living below the poverty level in Deer Springs FPD is 9.4% and one-tenth lower than the countywide rate of 14%. However, the poverty rate has increased by nearly one-fifth over the last five-year period and more than twice the corresponding change in the countywide rate. The share of the population in Deer Springs FPD that works from home has decreased from 8.7% to 7.8% and mirrors the countywide average of 7%.

Deer Springs FPD residents' average median household income has experienced a moderate increase in recent years and is currently \$80,685. This amount is more than one-fifth higher than the countywide median of \$66,529.

### Deer Springs FPD Income Breakdown

Table 4.3a (Source: American Community Survey and San Diego LAFCO)

Service Area	2007-2011			2012-2016		
	Median HH Income	Median HH Income	Change	Poverty Rate	Poverty Rate	Change
Deer Springs FPD	\$76,624	\$80,685	5.3%	7.9%	9.4%	17.9%
San Diego County	\$63,857	\$66,529	4.2%	13.0%	14.0%	7.7%

#### 4.4 Socioeconomic Indicators

Unemployment levels within Deer Springs FPD are relatively low and have been getting lower with the recent five-year averages decreasing by one-third from 4.8% to 3.2%; the latter amount also falling substantively below the current countywide average of 4.9%. Nearly one-fourth of the population currently collects retirement at 24.3% and moderately contrasts with the countywide average of 17.7%. Separately, formal educational levels within Deer Springs FPD are generally consistent with countywide averages with 34.6% of residents age 25 and older in the District holding bachelor degrees or higher based on the current five-year period average. This amount is slightly below the countywide average of 36.5%. The non-English speaking population has decreased by almost one-fifth from 10.7% to 9% over the two five-year period averages with the ending amount being more than two-thirds lower than the current countywide average.

Current socioeconomic indicators within Deer Springs FPD generally follow countywide averages with two exceptions: unemployment levels are one-half lower and non-English speaking resident totals are two-thirds lower.

Deer Springs FPD Socioeconomic Indicators Breakdown						
Table 4.4a (Source: American Community Survey and San Diego LAFCO)						
Service Area	2007-2011			2012-2016		
	Unemployment Rate	Unemployment Rate	Change	Non English	Non English	Change
Deer Springs FPD	4.8%	3.2%	(33.2%)	10.7%	8.97%	(16.0%)
San Diego County	5.6%	4.9%	(12.5%)	16.1%	15.0%	(6.8%)

### 5.0 ORGANIZATION

#### 5.1 Governance

Deer Springs FPD’s governance authority is established under the Fire Protection District Law (Health & Safety Code §13800, et seq.). This principal act empowers Deer Springs FPD to provide a moderate range of municipal services upon approval by LAFCO. Deer Springs FPD is currently authorized to provide two distinct municipal services: (a) structural fire protection and (b) emergency medical services. All other powers enumerated under the principal act are deemed latent and would need to be formally activated by LAFCO at a noticed public hearing. Similarly, should it ever seek to divest itself of directly providing an active service, Deer Springs FPD would also need to seek LAFCO approval. A list comparing Deer Springs FPD’s active and latent powers follows along with applicable class functions.

**Active Service Powers**

- Fire Protection
  - Structural Class
- Emergency Medical
  - Advance Life Care

**Latent Service Powers**

- Ambulance Transport
- Hazardous Material Transport & Disposal
- Weed and Rubbish Abatement

Deer Springs FPD has operated since its formation in 1981 as an independent special district with governance provided by an at-large five-member board. Board members must be registered voters that reside in the District’s jurisdictional boundary. The term of office of each member is four years. The Board regularly meets on the second Wednesday of each month at the Fire Station No. 1 at 8709 Circle R Drive. Directors receive a \$100 per diem for each meeting attended. A current listing of the Board along with respective backgrounds follows.

Board meetings are regularly scheduled on the second Wednesday of each month at the Circle R Fire Station. Board members receive a \$100 per diem for their attendance.

Deer Springs FPD Current Governing Board			
Table 5.1a (Source: Deer Springs FPD)			
Member	Position	Years on the Board	Background
Bret Sealey	President	6	Engineering
Jean Slaughter	Vice President	11	Fire Service
Mark Jackson	Secretary/Treasurer	2	Finance
James Gordon	Director	2	International advising
Brian Holley	Director	1	Construction

**5.2 Administration**

Deer Springs FPD contracts with the CAL FIRE for all administrative and operational activities as part of a “Schedule A” contract.<sup>14</sup> This contractual relationship commenced in July 1994 and – among other functions – provides for the assignment of a CAL Fire Battalion Chief to serve as Deer Springs FPD Chief and oversee all day-to-day activities. The current Fire Chief – Rick Johnson – has been assigned to Deer Springs FPD since September 2018 and currently oversees 24 operational staff and one budgeted fulltime administrative employee. Additional administrative details are footnoted.<sup>15</sup>



<sup>14</sup> “Schedule A” arrangements involve staffing contracts between CAL FIRE and a local governmental agency (county, city, district, etc.) for year-round fire protection service.

<sup>15</sup> Deer Springs FPD receives additional service from CAL FIRE through an “Amador Contract” that extends the service season for the CALFIRE Station on West Lilac Road. Deer Springs FPD also contracts with County Fire Authority for supplemental coverage by County Volunteer Reserves.

## 6.0 MUNICIPAL SERVICES

Deer Springs FPD currently provides two municipal services: (a) structural fire protection and (b) emergency medical. These two municipal services are organized as one integrated function by Deer Springs FPD and commenced in 1982 following the District's formation and as successor to an all-volunteer fire company. A summary analysis of this integrated service follows with respect to capacities, demands, and performance.

### 6.1 Fire Protection and Emergency Medical Services

Deer Springs FPD's fire protection and emergency medical services (first responder) were initially provided as a combination career-volunteer agency. Operations transitioned to the current all-career operations beginning in July 1994 in step with Deer Springs FPD contracting with CAL FIRE. Deer Springs FPD's fire protection and emergency medical services are primarily funded by two voter-approved special assessments from 2004 (fire suppression) and 1981 (availability) and an annual subsidy provided by the County of San Diego Fire Authority. These three funding sources collectively account for over four-fifths (87%) of all District revenues during five-year report period. The main expense is the CAL FIRE contract and it accounts for over four-fifths of all expenses during the report period.

#### Service Capacities

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Deer Springs FPD's fire protection and emergency medical services' capacities are primarily dependent on human resources derived from its operations contract with CAL FIRE. The contract was most recently renewed in August 2018 for five years and currently provides Deer Springs FPD with 24 total career public safety personnel divided between one (1) chief, three fire captains (3), one paramedic captain (1), six Fire Apparatus Engineers Paramedics (6), two Fire Apparatus Engineers (2) and ten firefighters (10). The contract also provides support services including code enforcement and dispatch with the latter provided through CAL FIRE's Monte Vista Center in El Cajon. All public safety personnel are assigned to one of three stations and work three-day shifts (72 hours on and 96 hours off). All three stations are continuously staffed by three-person work shifts that includes at least one officer and at least one paramedic with the latter trained to provide advance life support or ALS. (All personnel are trained to provide basic life support or BLS.) Reserves from the County Fire Authority are also utilized. A fulltime administrator supplements public safety operations and oversees billing and finance. Staffing levels have remained consistent over the five-year report period.

## Deer Springs FPD

### Staffing Levels

Table 6.1a | Source: Deer Springs FPD

Category	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	Average	Trend
Public Safety	24	24	24	24	24	24	0.0%
Non-Public Safety	2	2	4	2	2	2.8	0.0%
Total	26	26	28	26	26	26.4	0.0%

Actual fire protection and emergency medical services are delivered out of three fire Deer Springs FPD stations based on dispatch from CAL FIRE. Details follow.

- Station No. 1 is located within the center of the jurisdictional boundary at 8709 Circle R Drive in unincorporated Escondido. It also serves as Deer Springs FPD's headquarters and the location of monthly Board meetings. Station No. 1 typically responds to most dispatched calls within the District and covers the West Lilac, Castle Creek, Gopher Canyon, and Welk Resort areas as well as the majority of incidents on Interstate 15. There are currently 6 public safety personnel assigned to Station No. 1 along with three fire engines.
- Station No. 2 is located towards the southern parameter of the jurisdictional boundary at 1321 Deer Springs Road in unincorporated San Marcos. Station No. 2 typically responds to the second most amount of dispatched calls within the District and covers the Jesmond Dene and North Broadway areas along with a portion of Interstate 15. There are currently 6 public safety personnel assigned to Station No. 2 along with one fire engine.<sup>16</sup>
- Station No. 3 is located towards the eastern parameter of the jurisdictional boundary at 10308 Meadow Glen Way East in unincorporated Escondido. Station No. 3 typically responds to the lowest number of dispatched calls within the District and covers the Hidden Meadows and Rimrock areas. There are currently 6 public safety personnel assigned to Station No. 3 along with two fire engines.

The following table summarizes station staffing and fleet vehicle assignments. In addition to the public safety staffing numbers documented in the table, DS FPD maintains three staff members as fixed relief and two staff members as Vacation Relief.

<sup>16</sup> Station No. 2 is also assigned an Urban Search and Rescue (USAR) vehicle that is funded by the County of San Diego Fire Authority and used as a regional emergency response asset.

### Deer Springs FPD Fire Stations' Assignments

Table 6.1b (Source: Deer Springs FPD)

Factor	Station No. 1	Station No. 2	Station No. 3	Total
Public Safety Staffing	6	6	3	15
Fire Engines	3	1	2	6
Other Fleet Vehicles	3	0		3

## Service Demands

Overall service demands for fire protection and emergency medical within Deer Springs FPD during the five-year report period have averaged 1,078 dispatched calls annually or 2.9 daily. Approximately one-tenth – or 9.8% – of all dispatched calls were canceled and resulted in onsite arrivals averaging 972 annually or 2.6 daily. A breakdown of onsite arrivals show Deer Springs FPD responded to 90.2% of all incidents during the report period within its jurisdictional boundary. The breakdown also shows Deer Springs FPD responded exclusively to 85.1% of actual onsite incidents within its jurisdiction. Both dispatch calls and onsite arrivals have all increased by no less than one-fourth. The rise in overall demands also – notably – appears to underlie a two-third increase in the portion of onsite arrivals that are exclusively addressed by outside agencies. Nonetheless, and despite the recent increase, the portion of onsite arrival exclusively responded to by an outside agency through auto or mutual aids remains limited and marked by an overall average of 6.5%.<sup>17</sup> The following table summarizes annual calls and onsite arrivals – including agency responders – as well as trends during the corresponding 60-month period. Details concerning ambulance transport are footnoted.<sup>18</sup>

Over the five-year report period actual onsite arrivals for fire and/or emergency medical services in Deer Springs FPD have been on the rise and averaged 2.6 daily. Of this amount, Deer Springs FPD has been the exclusive responder 85.1% of the time and without the aid of outside agencies.

### Deer Springs FPD Dispatch and Onsite Demands

Table 6.1c (Source: CAL FIRE)

Year	2014	2015	2016	2017	2018	Average	%	Trend
Total Dispatched Incidents	962	842	1,196	1,177	1,214	1,078.2	100%	26.2%
Total Responses	841	775	1,068	1,090	1,089	972.6	90.2%	29.5%
- Responded by Deer Springs Only	715	681	907	918	917	827.6	85.1%	28.3%
- Responded by Other Agencies Only	45	33	72	91	74	68.6	6.5%	64.4%
- Responded by Deer Springs and Others	81	61	89	81	98	76.4	8.4%	21.0%

<sup>17</sup> Deer Springs FPD maintains formal (auto-aid) and informal (mutual-aid) agreements to provide and receive fire protection coverage with the Cities of Escondido and San Marcos, North County and Vista FPDs, Ramona and Valley Center MWDs, and the Pala Reservation.

<sup>18</sup> Ambulance transport in Deer Springs FPD is provided by Mercy Ambulance through an exclusive operating agreement administered by the County of San Diego's Health and Human Services. Mercy Ambulance is stationed out of Station No. 1 and has averaged 608 transports over the report period. The annual amount of transports has decreased by (7.2%) over the corresponding 60-month period.



## Service Performance

It appears Deer Springs FPD's capacities as measured by staffing and equipment are sufficiently sized to readily accommodate existing demands within its jurisdictional boundary relative to local conditions highlighted by the District serving a semi-rural and expansive area. The sufficiency is quantified with Deer Springs FPD responding to nine-tenths of all onsite incidents within its jurisdictional boundary during the five-year report period. This sufficiency is similarly quantified by Deer Springs FPD's relatively low and insubstantial dependency on outside agencies during the report period with only 6 out of 100 onsite incidents necessitating aid-only responses.

Additional documentation and related analysis concerning response times is pending.

## 7.0 FINANCES

### 7.1 Financial Statements

Deer Springs FPD contracts with an outside accounting consultant to prepare an annual report to review the District's financial statements in accordance with established governmental accounting standards. This includes auditing Deer Springs FPD statements with respect to verifying overall assets, liabilities, and net position. These audited statements provide quantitative measurements in assessing Deer Springs FPD's short and long-term fiscal health with specific focus on delivering its activated services. The current outside consultant is Fechter & Company LLP (Sacramento).

Deer Springs FPD's most recent audited financial statements for the five-year report period were issued for 2017-2018.<sup>19</sup> These audited statements show Deer Springs FPD experienced a positive change over the prior fiscal year as its overall net position (regular accrual basis) increased by 6.1% from \$12.336 to \$13.091 million and primarily attributed to an increase in current assets associated with carrying excess revenues. The accompanying auditor's report did not identify any weaknesses or related accounting concerns. A detailing of year-end totals and trends during the report period follows with respect to assets, liabilities, and net position.

Most Recent Year-Ending Financial Statements (2017-2018)	
Assets	13,120,337
Liabilities	29,057
Outflow/Inflow	-
Net Position	\$13,091,280

<sup>19</sup> The audit for 2017-2018 was issued on December 12, 2018.

## Agency Assets

Deer Springs FPD’s audited assets at the end of 2017-2018 totaled \$13.120 million and finished 10.4% higher than the average year-end amount of \$11.884 million documented during the five-year report period. Assets classified as current with the expectation they could be liquidated within a year represented four-fifths of the total amount – or \$10.716 million – with over 95% tied to cash and investments. Assets classified as non-current and not readily liquid make up the remainder of the total – or \$2.403 million – and entirely tied to capital infrastructure with almost 70% associated with the structures and improvements comprising the three fire stations along with ancillary apparatus and trucks. Overall assets for Deer Springs FPD have increased by 24.1% over the corresponding 48-month period in which audited statements for the report period are available.

Deer Springs FPD’s assets overall have increased by almost one-fourth over the last 48-months of the report period. This overall increase is primarily attributed to year-end surpluses underlying the rise in cash and investments from \$7.713 to \$10.228 million; a net change of \$2.515 million.

### Deer Springs FPD Audited Assets

Table 7.1a | Source: Deer Springs FPD

Category	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	4-Year Average	4-Year Trend
Current	n/a	8,229,517	9,197,606	9,903,882	10,716,470	9,511,869	30.2%
Non-Current	n/a	2,342,946	2,198,104	2,545,544	2,403,867	2,372,865	2.6%
<b>Total</b>	<b>n/a</b>	<b>10,572,463</b>	<b>11,395,710</b>	<b>12,450,426</b>	<b>13,120,337</b>	<b>11,884,734</b>	<b>24.1%</b>

## Agency Liabilities

Deer Springs FPD’s audited liabilities at the end of 2017-2018 totaled \$0.29 million and finished (56.3%) lower than the average year-end amount of \$0.066 million documented during the five-year report period. Liabilities classified as current and representing obligations owed within the year accounted for slightly less than two-thirds of the total and tied to accounts payable. Liabilities classified as non-current and considered long-term debts make up the remaining one-third amount and tied to compensated absences. Liabilities have increased overall by 106.2% over the corresponding 48-month period in which audited statements for the report period are available.

Deer Springs FPD’s liabilities remains relatively limited, but nonetheless have more than doubled during the report period. This overall increase is largely attributed to expanding accounts payable and rises in monies owned to vendors.

Deer Springs FPD Audited Liabilities							
Table 7.1b   Source: Deer Springs FPD							
Category	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	4-Year Average	4-Year Trend
Current	n/a	5,221	99,627	114,007	18,610	59,366	256.4%
Non-Current	n/a	8,872	9,225	-	10,447	7,136	17.8%
<b>Total</b>	<b>n/a</b>	<b>14,093</b>	<b>108,852</b>	<b>114,007</b>	<b>29,057</b>	<b>66,502</b>	<b>106.2%</b>

### Net Position

Deer Springs FPD’s audited net position or equity at the end of 2017-2018 totaled \$13.091 million and represents the difference between the District’s total assets and total liabilities along with adjusting for deferred resources (i.e., pension outflows and inflows). This most recent year-end amount is 10.8% higher than the average year-end sum of \$11.818 million documented during the five-year report period. One-fifth of the ending net position – or \$2.403 million – is tied to capital assets with the remainder categorized as unrestricted. Overall the net position has increased by 24.0% over the corresponding 48-month period in which audited statements for the report period are available.

Deer Springs FPD’s net position has steadily increased each year during the report period with an overall change of 24.0% from \$10.558 million to \$13.091 million. The net change has been \$2.533 million.

Deer Springs FPD Audited Net Position							
Table 7.1c   Source: Deer Springs FPD							
Category	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	4-Year Average	4-Year Trend
Capital or Restricted	n/a	3,896,806	2,189,104	2,546,544	2,403,867	2,761,330	(38.3%)
Non-Current	n/a	6,661,564	9,088,754	9,789,875	10,687,413	9,056,902	60.4%
<b>Total</b>	<b>n/a</b>	<b>10,558,370</b>	<b>11,286,858</b>	<b>12,336,419</b>	<b>13,091,280</b>	<b>11,818,232</b>	<b>24.0%</b>

Deer Springs FPD maintains three distinct funds – general, capital projects, and mitigation – underlying the net position. The unrestricted portion of the net position as of the last audited fiscal year totaled \$10.687 million and represents the accrued and long-term spendable portion of the fund balance within all three funds. This unrestricted amount is the equivalent of 25 months of operating expenses based on actual expenses in 2017-2018. Additional review shows the general fund finished the report period with an unassigned balance of \$7.566 million and represents the immediate spendable cash available to Deer Springs FPD.

The unrestricted portion of Deer Springs FPD’s net position has increased by three-fifths over the report period and finished 2017-2018 with a balance equal to cover 25 months of operating expenses.

## 7.2 Measurements | Liquidity, Capital, and Margin

A review of the audited financial statement issuances by Deer Springs FPD covering the five-year report period shows the District finished with relatively high and/or otherwise good levels of liquidity, capital, and margin based on standard measurements despite recent downward trends. Liquidity levels finished the report period with more than \$576 in available cash to cover every \$1 in near-term obligations (i.e., accounts payable). Capital levels remain nearly unblemished with a debt ratio of less than 1%. Deer Springs FPD also finished each year with positive total and operating margins of no less than 12.5%. Summaries of liquidity, capital, margin, and structure trends over the corresponding 48-month period in which audited statements are available follow.

Standard measurements in assessing financial standing show – and despite recent downward trends – Deer Springs FPD finished the report period with good and/or high levels of liquidity (available cash), capital (ability to assume debt), and margin (profitability).

### Deer Springs FPD Financial Measurements

Table 7.2a | Source: San Diego LAFCO

Fiscal Year	Current Ratio	Days' Cash	Debt Ratio	Debt to Net Position	Total Margin	Operating Margin	Operating Reserves Ratio	Equipment Replacement
2013-2014	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2014-2015	1,576.2 to 1	766.1	0.1%	0.1%	12.5%	16.9%	170.2%	14.3
2015-2016	92.3 to 1	817.4	1.0%	0.1%	14.3%	17.2%	216.7%	17.9
2016-2017	86.9 to 1	774.2	0.9%	0.0%	17.8%	20.8%	210.4%	17.8
2017-2018	575.8 to 1	777.2	0.2%	0.1%	12.5%	15.3%	211.9%	16.9
Average	582.8 to 1	783.7	0.6%	0.1%	14.3	17.6	202.3	16.7
Trend	(63.5%)	1.5%	66.1%	(5.0%)	(0.1%)	(9.2%)	24.5%	18.2%

**Current Ratio (Liquidity)**

Compares available assets against near-term obligations; the minimum desirable ratio is 1.0 and means for every dollar in liability the agency has one dollar available to pay.

**Days' Cash (Liquidity)**

Measures the number of days the agency can fund normal operations without new cash income; an appropriate minimum threshold is 180 days.

**Debt Ratio (Capital)**

Measures the relationship between the agency's total assets and liabilities; the higher the ratio the more susceptible the agency is to long-term cash flow stresses.

**Debt to Net Position (Capital)**

Measures the amount of long-term debt or borrowing of the agency against its accumulated net worth; an appropriate maximum standard threshold is 50%.

**Total Margin (Margin)**

Measures the bottom line of the agency with respect to comparing all revenues to all expenses; a positive percentage is desirable within the caveat capital improvement expenditures may appropriately result in a negative percentage in individual years.

**Operating Margin (Margin)**

Measures the relationship between core operational revenues and expenses and excludes one-time transactions, like grants and loans; a consistent positive percentage shows the agency has established a structured budget.

**Operating Reserves Ratio (Structure)**

Measures the percent of available monies of an agency to cover unforeseen shortfalls; an appropriate maximum standard threshold is 50%.

**Equipment Replacement Ratio (Structure)**

Measures the average age of depreciable equipment and facilities; the lower the number the younger the infrastructure with the assumption therein better efficiencies/effectiveness.

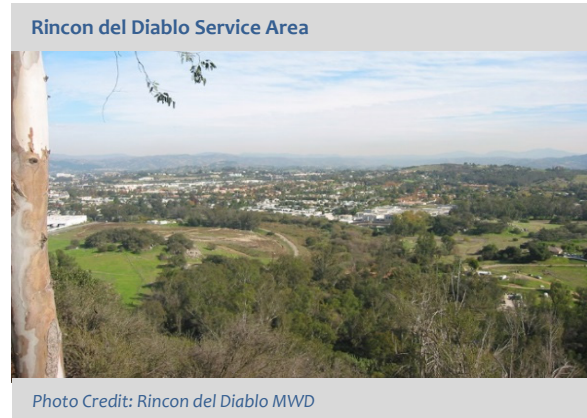
## 7.3 Pension Obligations

Deer Springs FPD does not have recorded pension obligations.

## B. RINCON del DIABLO MWD

### 1.0 OVERVIEW

The Rincon del Diablo Municipal Water District (MWD) is an independent special district formed in 1954 for the purpose of establishing a member agency of the San Diego County Water Authority ("Water Authority") to provide retail water services within the unincorporated Escondido region. Formation proceedings were part of a second phase of local agencies in San Diego County joining and retailing the wholesale supplies the Water Authority was beginning to



import from the Colorado River through its own agreement with the Metropolitan Water District of Southern California. Rincon MWD covers an area approximately 42.5 square miles or 27,205 acres in size with three-fifths of the lands lying within the City of Escondido. The remainder of the jurisdictional boundary is largely unincorporated and includes portions of the Eden Valley and Harmony Grove communities. Governance is provided by a five-member board elected by divisions.

Rincon del Diablo MWD is currently organized as a multi-purpose agency with municipal activities presently tied to providing four distinct services: (a) potable water; (b) recycled water; (c) wastewater; and (d) fire protection and emergency medical with much of the latter provided through contract with the City of Escondido. It is also authorized – subject to LAFCO approving latent power expansions – to provide community recreation, solid waste and garbage, and electric services. The operating budget at the term of the report period (2017-2018) was \$16.8 million. The net position as of the last audited financial statements of June 30, 2018 was \$59.4 million with the unrestricted portion tallying \$22.9 million. This latter amount represents the equivalent of 15 plus months of normal operating expenses.

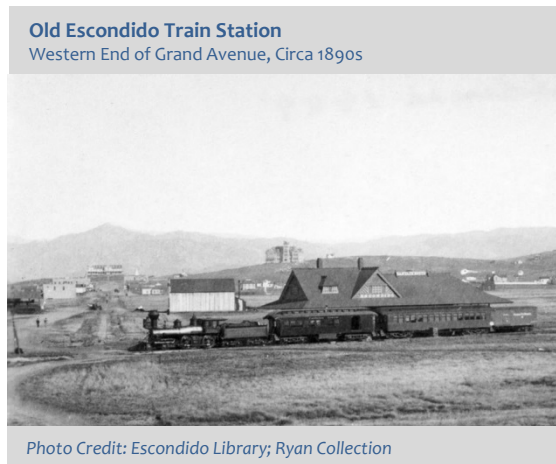
LAFCO independently estimates the fulltime resident population within Rincon del Diablo MWD is 132,076 as of the term of this report period and accommodated through 44,260 current housing units. (This estimate is for the entire jurisdictional boundary and referred to by Rincon del Diablo MWD as the "Parent District.") It is also estimated the overall population has increased by 9,266 since 2010 with a resulting annual growth rate of 0.95%. It is also projected growth will continue consistent with recent trends and result in the population reaching 137,602 over the next five-year period to 2023. The median household income is

\$82,882 based on the current five-year period average and one-fifth higher than the countywide average of \$66,529.

## 2.0 BACKGROUND

### 2.1 Community Development

Rincon del Diablo MWD's service area began its development in the 1800s in parallel with the creation and awards of land grants – or ranchos – throughout California by the Mexican government. The Rancho Rincon del Diablo was granted to Juan Bautista Alvarado in 1843 and translates to “the devil's corner.” The lands were subsequently divided with a sizable portion coming into the ownership of the Escondido Land and Town Company, which proceeded to market and develop residential and commercial uses in



conjunction with helping to secure an extension of the Santa Fe Railway in 1887.<sup>20</sup> The City of Escondido was incorporated one year later in 1888 and facilitated the region's concerted transition from agricultural to urban uses and significantly aided therein with the opening of U.S. Route 395 in 1930. This transition in land uses culminated in Escondido's estimated population nearly tripling between 1930 and 1950 from 5,500 to 15,200 and ahead of a new wave of growth with the end of World War II.

### 2.2 Formation Proceedings

Rincon del Diablo MWD's formation was initiated by concerned citizens located outside the City of Escondido in 1953 in search of reliable water supplies through a public agency that could contract with the Water Authority. Formation proceedings, specifically, addressed increasing needs for water supplies in the surrounding unincorporated area coupled with the restrictions on the then-service provider for the City – Escondido Mutual Water – and its inability as a private entity to receive imports from the Water Authority. Formation proceedings were confirmed by voters following a special election held on February 16, 1954 with 88%, or 1,058 of 1,203 votes cast, in favor of the District's formation. A director was appointed for each of Rincon del Diablo MWD's five divisions at the time as well.

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<sup>20</sup> “Escondido” translates to “hidden” in Spanish and likely refers to the geographical setting of the valley between mountainous foothills as a perceived hidden treasure.

### 2.3 Post Formation Activities

A summary of notable activities undertaken by Rincon del Diablo MWD and/or affecting the District's jurisdictional boundary following its formation in 1954 is provided below.

- Rincon del Diablo MWD is concurrently annexed into the Water Authority and Metropolitan Water District of Southern California in October 1954.
- Rincon del Diablo MWD establishes its first improvement district in January 1955 titled "1" to serve the western portion of the jurisdictional boundary. Rincon del Diablo MWD proceeds to construct a new water distribution system that directly connects to the Water Authority's transmission line through a voter-approved bond.
- Rincon del Diablo MWD establishes its second improvement district in December 1962 titled "A" to serve the southeastern portion of the jurisdictional boundary and in step with liquidating the Escondido Mutual Water Company. Rincon del Diablo MWD proceeds to expand the existing distribution system in the area with multiple connections to the City of Escondido through an additional voter-approved bond.
- Rincon del Diablo MWD activates its latent power to provide fire protection and emergency medical services in July 1976 and establishes three new improvement districts titled "F," "G," and "E." The activation – which predates LAFCO approval requirement – responds to a community petition to backfill services following the County of San Diego cancelling a contract with CAL FIRE. A special assessment is subsequently approved to provide baseline funding, including the construction of an initial fire station. Rincon del Diablo MWD later consolidates the three improvement districts into an expanded ID-E.
- Rincon del Diablo MWD enters an agreement for the City of Escondido to assume all fire protection and emergency medical services in April 1984. The agreement is rewritten in August 1989 as a permanent arrangement and can only be terminated under specific conditions.
- LAFCO establishes a larger-than-agency sphere of influence for Rincon del Diablo MWD in April 1985 to include approximately 27,000 non jurisdictional acres.
- LAFCO updates and affirms Rincon del Diablo MWD's sphere of influence with a larger-than-agency designation as part of regional study in September 2003. LAFCO reaffirms the larger-than-agency designation again in August 2007.

- LAFCO authorizes Rincon del Diablo MWD to activate wastewater services in June 2018 and subsequently becomes effective June 2019. The approval is specific to the 742-unit Harmony Grove Village Subdivision along the western jurisdictional boundary and includes the establishment of a secondary sphere specific to wastewater. The approval is made in conjunction with Rincon del Diablo MWD assuming ownership of a treatment facility from San Diego County Sanitation District.

### 3.0 BOUNDARIES

#### 3.1 Jurisdictional Boundary

Rincon del Diablo MWD’s existing jurisdictional boundary spans approximately 42.5 square miles and covers 27,205 acres (parcels and public rights-of-way). There are four land use authorities overlapping the jurisdictional boundary – the City of Escondido and the County of San Diego. The City of Escondido is the single largest land use authority in terms of associated acreage with an estimated 62% of all Rincon del Diablo MWD lands lying in the City. Nearly all of the other lands in the jurisdictional boundary are unincorporated and under the land use authority of the County of San Diego with the small remainder lying within the Cities of San Diego and San Marcos. Overall there are 65,115 registered voters currently within the Rincon del Diablo MWD jurisdictional boundary.<sup>21</sup>

Rincon del Diablo MWD’s jurisdictional boundary spans 42.5 square miles and overlaps two land use authorities with the City of Escondido being the largest with the incorporated area covering 62% of all District lands.

Rincon del Diablo MWD   Boundary Breakdown By Land Use Authority					
Table 3.1a (Source: Esri and San Diego LAFCO)					
Land Use Authority	Total Assessor Parcel Acres	% of Total Assessor Parcel Acres	Total Assessor Parcels	Number of Registered Voters	
City of Escondido	17,000	62.4%	29,100	53,963	
City of San Marcos	208	0.8%	964	1,575	
City of San Diego	37	0.14%	2	3	
County of San Diego	9,960	36.6%	5,866	9,575	
<b>Totals</b>	<b>27,205</b>	<b>100%</b>	<b>35,932</b>	<b>65,115</b>	

Total assessed value (land and structure) of the Rincon del Diablo MWD jurisdictional boundary is set at \$14.182 billion as of April 2019. This amount translates to a per acre value ratio of \$394,699. It also represents a per capita value of \$107,381 based on the estimated service population of 132,076. As a pre-Proposition 13 agency, Rincon del Diablo MWD receives 0.69% of the 1.0% in property taxes collected.

<sup>21</sup> The number of registered voters for the territories within Rincon del Diablo MWD and overlapped by the Cities of San Marcos, San Diego, and the County of San Diego are estimated by LAFCO based on the average number of voters per parcel in Escondido and equitably distributed among the other jurisdictions.



The jurisdictional boundary is currently divided into 35,932 legal parcels and totals 24,341 acres excluding roads, rights-of-way, and water bodies. Close to nine-tenths – or 88% – of private parcels are showing development or improvements, albeit not necessarily at the highest density as allowed under zoning. The remainder of private acreage is entirely undeveloped and consists of 4,108 vacant parcels that collectively total 4,676 acres. Less than one percent of the jurisdictional boundary qualifies as a disadvantaged unincorporated community.

Close to 99% of the jurisdictional boundary is under private ownership, and of this amount approximately 88% has been developed with some type of improvement.

### 3.2 Sphere of Influence

Rincon del Diablo MWD's sphere was established by LAFCO in April 1985. The sphere presently spans 43.98 square miles or 28,144 acres. This includes approximately 939 acres of non-jurisdictional acres, which if annexed to Rincon del Diablo MWD would increase the physical size of District by 3.3%. No jurisdictional lands lie outside the sphere. LAFCO most recently updated the sphere in August 2007. The most recent amendment to the sphere is summarized in the accompanying footnote.<sup>22</sup>

Rincon del Diablo MWD's sphere is 3.3% larger than the jurisdictional boundary and includes 939 non-jurisdictional acres. This sphere applies to the District's water and fire protection services

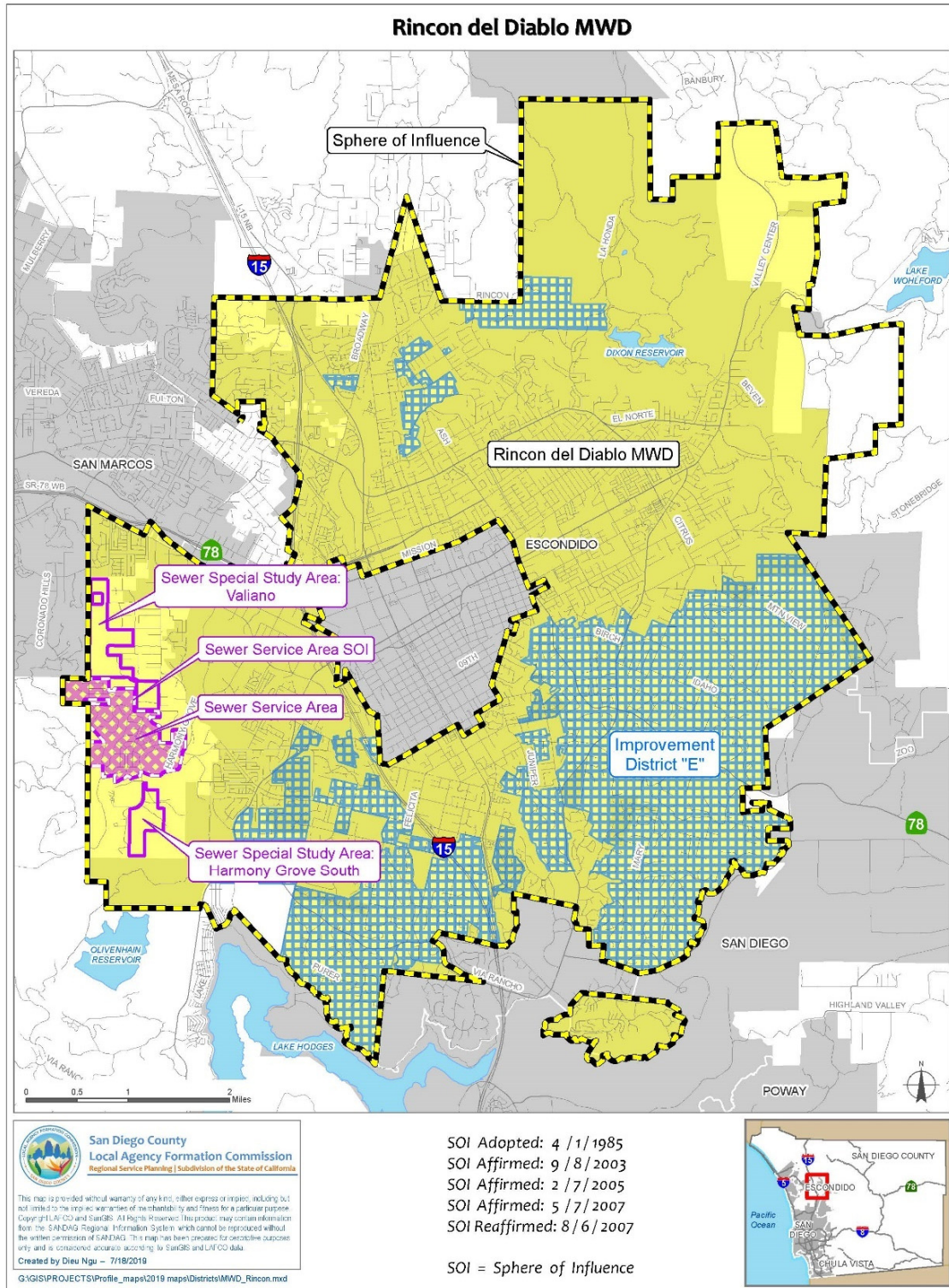
In June 2018, LAFCO established a second and service-specific sphere for Rincon del Diablo MWD involving wastewater. The establishment was made in conjunction with activating Rincon del Diablo MWD's latent wastewater power (collection, treatment, and disposal) in step with assuming service responsibilities for the Harmony Grove Village development. The service-specific sphere is coterminous with the activated latent power area. LAFCO also established two special study areas to the service-specific sphere as detailed in the accompanying footnote.<sup>23</sup>

LAFCO established a wastewater-specific sphere for Rincon del Diablo MWD in June 2018. This secondary sphere is coterminous to the activated wastewater service area consisting of the Harmony Grove Village development.

<sup>22</sup> LAFCO amended the Rincon del Diablo MWD sphere most recently in August 2014 to add 39± acres as part of a concurrent reorganization. The area was previously in Vallecitos Water District's sphere.

<sup>23</sup> The establishment of two special study areas for the wastewater-specific sphere for Rincon del Diablo MWD demarks LAFCO's intention to revisit the merits of officially adding the subject lands in the future. The special study areas cover two proposed residential development projects adjacent to the Harmony Grove Village site and involve recently approved subdivisions by the County of San Diego: Valiano – Eden Hills (TM 5575) and Harmony Grove Village South (TM5600). Both of these residential developments were recently approved by the County and include wastewater service arrangement alternatives that would involve LAFCO approvals with one such option involving potential connection to the Harmony Grove Village system.

### 3.3 Current Boundary and Sphere Map



## 4.0 DEMOGRAPHICS

### 4.1 Population and Housing

The Rincon del Diablo MWD total fulltime resident population within its jurisdictional boundary is independently estimated by LAFCO at 132,076 as of the term of the five-year report period. This amount represents 3.9% of the countywide total with three-fifths of the estimate residing within the City of Escondido. It is also estimated the resident population has risen overall by 8.1% from 122,810 in 2010 and the last census reset; a net change of 9,896. This translates to an annual population change within the jurisdictional boundary of 0.95%, which is nearly even with the countywide trend of 0.94%. It is projected the current growth rate will maintain in the near-term and result in a resident population increasing to 137,602 by 2023.

It is estimated there are 132,076 current fulltime residents within Rincon del Diablo MWD with more than three-fifths also in the City of Escondido. It is projected the population in the District will increase consistent with recent trends and reach 137,602 by 2023.

Rincon del Diablo MWD   Population Estimates				
Table 4.1a (Source: Esri and San Diego LAFCO)				
Factor	2010	2018	2023 (projected)	Annual Change %
Rincon del Diablo MWD	122,810	132,076	137,602	0.95%
San Diego County	3,095,264	3,344,136	3,499,829	0.94%

There are presently 44,260 residential housing units within Rincon del Diablo MWD's jurisdictional boundary. This amount represents an overall net increase of 2,431 units since 2010 and translates to an average production rate of 303.8 new housing units per year. Further, of the current total, 55.5% are owner-occupied, 40.6% are renter-occupied, and the remaining 3.9% are vacant. The average household size is 3.07 people and has slightly increased by 2.2% from 3.0 over the preceding five-year period.

Housing production in Rincon del Diablo MWD currently totals 44,260 dwelling units. This includes the addition of 2,431 units since 2010 – or 304 new units each year. The average monthly housing cost in Rincon del Diablo MWD is \$1,964, and one-fifth above the countywide average.

The mean monthly housing costs have stayed relatively stagnant with an overall change of (0.8%) from \$1,979 to \$1,964 based on the most recent five-year period averages with the current latter amount well above the countywide cost of \$1,578. The latter amount increased by 2.5% during the same timeframe. The housing total is broken down to a jurisdictional average of 1.9 dwelling units per acre, excluding acreage with roads. By 2030, it is estimated the District service area will contain only 400 undeveloped acres.

### Rincon del Diablo MWD | Housing Breakdown

Table 4.1b (Source: American Community Survey and San Diego LAFCO)

Jurisdiction	2010 Housing Units	2018 Housing Units	Change	2010 Monthly Housing Cost	2018 Monthly Housing Cost	Change
Rincon MWD	41,829	44,260	5.8%	\$1,979.35	\$1,964.26	(0.76%)
San Diego County	1,164,766	1,236,184	6.1%	\$1,540.00	\$1,578.00	2.47%

## 4.2 Age Distribution

The median age of residents in Rincon del Diablo MWD is 41.2 years based on the current five-year period average. This amount represents an overall decrease of 4.3% from 39.5 over the preceding five-year period average. However, the current median age in Rincon del Diablo MWD remains significantly higher than the countywide average of 35.3. Residents in the prime working age group defined as ages 25 to 64 also make up over half of the total population at 54.1% and remains higher than the countywide average of 47%.

Residents within Rincon del Diablo MWD tend to be older with a medium age of 41.2 years; an amount that is nearly one-fifth higher than the countywide average of 35.3.

### Rincon del Diablo MWD | Resident Age Breakdown

Table 4.2a (Source: American Community Survey and San Diego LAFCO)

Service Area	2010 Median Age	2018 Median Age	Change	2010 Prime Working Age	2018 Prime Working Age	Change
Rincon MWD	39.5	41.2	4.3%	55%	54.1%	(1.7%)
San Diego County	34.6	35.3	2%	53.4%	47%	(11.9%)

## 4.3 Income Characteristics

The median household income in Rincon del Diablo MWD is \$82,882 based on the current five-year period average. This amount represents an overall increase of 4.9% from the preceding five-year period average of \$78,982 and is one-fourth higher than the current countywide median of \$66,529. The current average rate of persons living below the poverty level in Rincon del Diablo MWD is 9.6% and more than one-tenth lower than the countywide rate of 14.0%. The share of the population in Rincon del Diablo MWD that works from home has grown by one-third from 6.1% to 8%.

Rincon del Diablo MWD residents' average median household income has experienced a moderate increase in recent years and is currently \$88,882. This amount is also one-fourth higher than the countywide median income \$66,529.

### Rincon del Diablo MWD | Resident Income Breakdown

Table 4.3a (Source: American Community Survey and San Diego LAFCO)

Service Area	2007-2011			2012-2016		
	Median HH Income	Median HH Income	Change	Poverty Rate	Poverty Rate	Change
Rincon MWD	\$78,982	\$82,882	4.9%	9.9%	9.6%	(3.5)%
San Diego County	\$63,857	\$66,529	4.2%	13%	14.0%	7.7%

## 4.4 Socioeconomic Indicators

Approximately 4.2% of residents within Rincon del Diablo MWD are unemployed based on the current five-year period average and falls below the countywide average 4.9%. The overall amount represents a sizable decrease of more than one-fifth from the previous five-year average of 5.7%. There has also been a marked change in educational levels with rates increasing by 3.4% during the report period and producing a five-year average of 34.1% of residents 25 or older with bachelor degrees. Nearly one-fifth or 20.9% of the population currently collects retirement income. The non-English speaking percentage of the population has separately decreased during this period from 13% to 11.7%; a (10.1%) decrease.

### Rincon del Diablo MWD | Socioeconomic Indicators Breakdown

Table 4.4a (Source: American Community Survey and San Diego LAFCO)

Service Area	2007-2011			2012-2016		
	Unemployment Rate	Unemployment Rate	Change	Non English	Non English	Change
Rincon MWD	5.7%	4.2%	(26.6%)	13%	11.7%	(10.1)%
San Diego County	5.6%	4.9%	(12.5%)	16.1%	15%	(6.83)%

## 5.0 ORGANIZATION

### 5.1 Governance

Rincon del Diablo MWD's governance authority is established under the Municipal Water District Act of 1911 and codified under Water Code Sections 11501-1440.5. This principal act empowers Rincon del Diablo MWD to provide a moderate range of municipal services upon approval by LAFCO. Rincon del Diablo MWD is authorized to provide four distinct municipal services: (a) potable water; (b) recycled water; (c) wastewater; and (d) fire protection and emergency medical. Rincon del Diablo MWD is authorized to provide the first three services – potable water, recycled water, and fire protection – throughout its jurisdictional boundary. Wastewater services, however, is limited without additional LAFCO approval to an approximate 425-acre portion of the jurisdictional boundary that comprises the Harmony Grove Village development. All other powers enumerated under the principal act are deemed

latent and would need to be formally activated by LAFCO at a noticed public hearing before Rincon del Diablo MWD would be allowed to exercise these powers. Similarly, should it ever seek to divest an active service, Rincon del Diablo MWD would also need to seek LAFCO approval at a noticed public hearing. A list comparing Rincon del Diablo MWD’s active and latent powers follows along with applicable class functions.

**Active Service Powers**

- Potable Water (retail)
- Recycled Water (retail)
- Wastewater (collection, treatment, disposal)
- Fire Protection and Emergency Medical

**Latent Service Powers**

- Recreation
- Solid Waste/Garbage
- Storm Drainage
- Hydroelectric Power
- Wind/Solar Power

Governance of Rincon del Diablo MWD is independently provided by a five-member Board of Directors. Each member of the Board is elected by registered voters within their designated division to a four-year term. The Board includes three appointed officer positions: President; Vice President; and Treasurer. Rincon del Diablo MWD holds regular meetings at 6:00 PM on the fourth Tuesday of each month at its administrative office located at 1920 North Iris Lane in Escondido. Directors receive a \$160 per diem for each meeting attended. A current listing of the Board follows.

Board meetings are regularly scheduled on the fourth Tuesday of each month. Board members receive a \$160 per diem for their attendance.

Rincon del Diablo MWD   Current Governing Board Roster			
Table 5.1a (Source: Rincon del Diablo MWD)			
Member	Board Position	Years on the Board	Background
James Murtland	President	9	Military, Public Administration
Erin Lump	Vice President	5	Real Estate
Diana Towne	Director	24	Legal
Gregory Quist	Director	29	Technology, Science, Business
David Drake	Treasurer	13	Engineering, Science, Business

**5.2 Administration**

Rincon del Diablo MWD appoints an at-will General Manager to oversee all District activities. The current General Manager – Greg Thomas – was appointed in 2013 and oversees a present budgeted staff of 22 fulltime equivalent employees and divided between four departments: (a) administration and finance; (b) conservation; (c) engineering; and (d) operations and maintenance. Legal services are provided to Rincon del Diablo MWD by contract with Redwine and Sherill (Riverside).



## 6.0 MUNICIPAL SERVICES

Rincon del Diablo MWD is authorized to provide four distinct municipal services: (a) potable water; (b) recycled water; (c) wastewater; and (d) fire protection and emergency medical. A summary analysis of these services follows with respect to capacities, demands, and performance during the five-year report period.

### 6.1 Potable Water Service

Rincon del Diablo MWD's potable water services represents the District's principal service function and involves retail only. Service commenced one year following Rincon del Diablo MWD's formation in 1954 in conjunction with establishing the first of two geographically separated service areas. These two distinct service areas are described below. The current combined number of connections served by Rincon del Diablo MWD totals 8,102 with a District-estimated resident population of 29,955.<sup>24</sup>

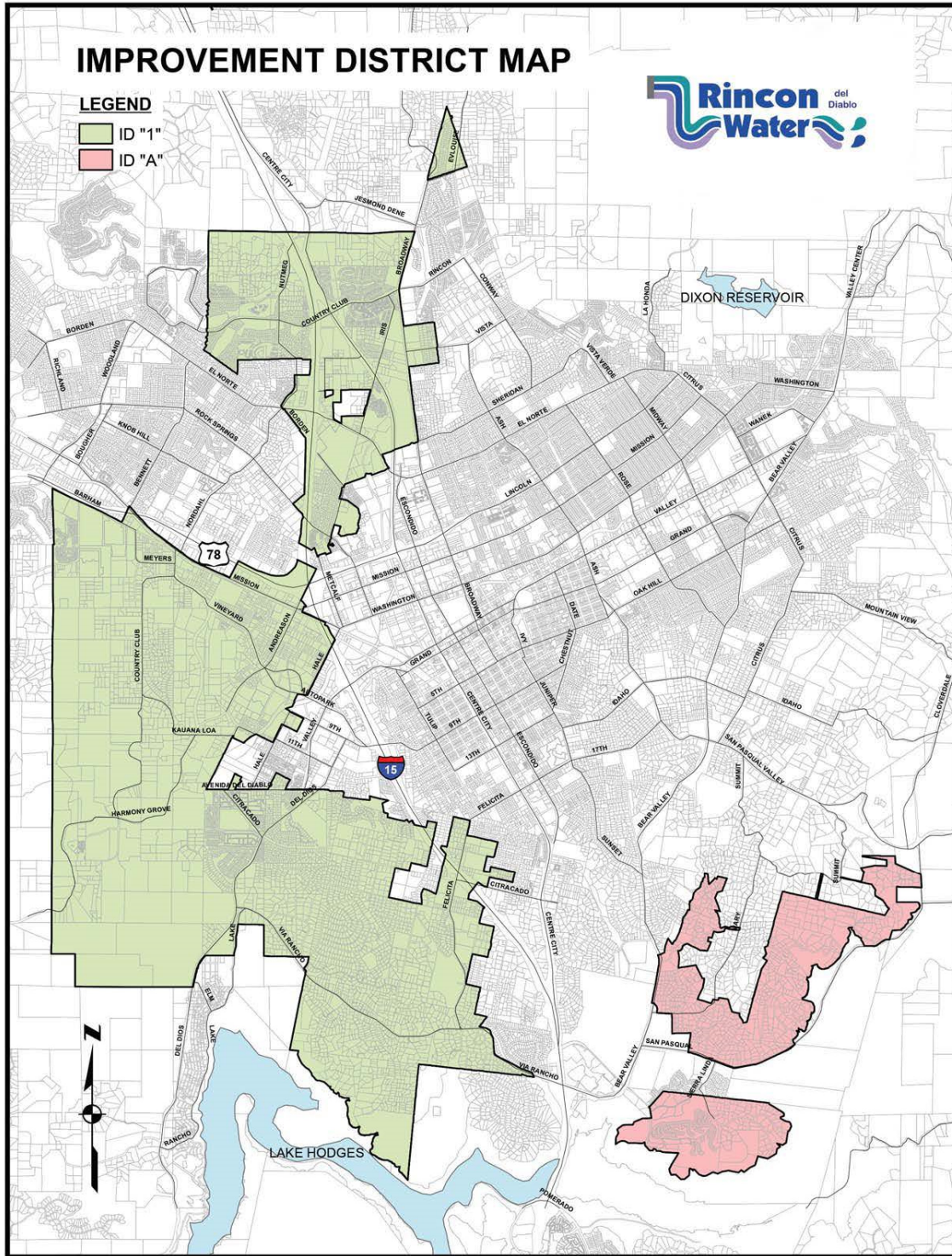
Rincon del Diablo MWD's domestic water system comprises two distinct service areas, ID-1 and ID-A, and collectively serves an estimated resident population of 29,955.

- Rincon del Diablo MWD's initial service area is identified as Improvement District 1 or "ID-1." It comprises an approximate 7,945-acre area along the western side of the jurisdictional boundary and currently comprises close to nine-tenths – or 86.4% – of all District connections. Water supplied to ID-1 is drawn directly from the Water Authority. Notable areas within ID-1 include County Club, Felicita, and Harmony Grove. There are an estimated 27,259 residents' within ID-1.
- Rincon del Diablo MWD's second service area was established in 1962 and identified as Improvement District A or "ID-A." It comprises an approximate 1,210-acre area in the southeastern side of the jurisdictional boundary and serves the remaining one-tenth plus – or 13.6% – of all connections. Water supplied to ID-A is indirectly drawn from the Water Authority through a wheeling agreement with the City of Escondido.<sup>25</sup> Notable areas within ID-A include portions of Bear Valley and San Pasqual Valley. There are an estimated 2,696 residents within ID-A.

<sup>24</sup> The resident population sourced to SANDAG.

<sup>25</sup> The wheeling agreement with the City of Escondido results in Rincon del Diablo MWD customers in ID-A receiving a blend of water supplies that include Lake Henshaw.

### Rincon del Diablo MWD | Domestic Water Service Areas



Source: SANGIS Base layers



## Service Capacities

Rincon del Diablo MWD's potable water supplies are entirely drawn from the Water Authority and secured through a 1954 membership agreement. The membership agreement entitles Rincon del Diablo MWD to purchase for subsequent retailing an unrestricted amount of potable water based on availability from the Water Authority, which is a

Rincon del Diablo MWD's agreement with the Water Authority allows the District to purchase an unrestricted amount of pre-treated potable water supplies based on availability. The infrastructure capacities, however, prescribe the maximum potential annual supplies of 50,398.9 acre-feet within ID-1 and 2,239.9 acre-feet within ID-A.

wholesale member of the Metropolitan Water District of Southern California. Rincon del Diablo MWD has direct access to the Water Authority's transmission line to supply ID-1 through two interconnections.<sup>26</sup> Rincon del Diablo MWD separately has a wheeling agreement with the City of Escondido to receive Water Authority supplies for ID-A indirectly through the City's own distribution system.<sup>27</sup> Current pipeline capacities provide the maximum total amount of potable water available to Rincon del Diablo MWD is 45.0 million gallons per day within ID-1 and 2.0 million gallons in ID-A. These latter amounts – if operated at continuous capacity – translates to annual maximum tallies of 50,389.9 and 2,239.9 acre-feet in ID-1 and ID-A, respectively.<sup>28</sup>

Rincon del Diablo MWD   Available Domestic Water Supplies			
Table 6.1a (Source: Rincon del Diablo MWD   SD LAFCO)			
Service Area	Direct Source	Rated Maximum Daily Capacity	Rated Maximum Annual Capacity
ID-1	Water Authority	45.0 million gallons or 138.1 acre feet	16.425 billion gallons or 50,398.9 acre feet
ID-A	City of Escondido	2.0 million gallons or 6.1 acre-feet	730.0 million gallons or 2,239.9 acre-feet
TOTAL		47.0 million gallons or 144.2 acre-feet	17.155 billion gallons or 52,638.8 acre-feet

All potable water supplies retailed by Rincon del Diablo MWD and delivered within ID-1 and ID-A are pretreated; the District does not own its own water treatment facilities.<sup>29</sup>

<sup>26</sup> Delivery into ID-1 is provided by two separate connections to the Water Authority's First Aqueduct that collectively have a rated capacity to convey 45.0 million gallons – or 138.1 acre-feet – per day into the service area.

<sup>27</sup> Delivery into ID-A is provided by over three dozen connections to the City of Escondido that collectively have a rated capacity to convey 2.0 million gallons – or 6.1 acre-feet – per day into the service area.

<sup>28</sup> Rincon del Diablo MWD also has emergency interties with Vista Irrigation District and Vallecitos Water District. Rincon del Diablo MWD also provide emergency water supplies to the City of Escondido as needed.

<sup>29</sup> The majority of supplies originating from the Metropolitan Water District of Southern California (Colorado and Sacramento Bay Delta) are blended and pretreated at Metropolitan's Lake Skinner Filtration Facility in Riverside County before conveyance into San Diego County. Supplies wheeled through the City of Escondido are additionally blended with local municipal sources (Lake Henshaw) and also treated at the Vista/Escondido Water Treatment Facility prior to distribution into ID-A.

Treated water enters the ID-1 distribution system from one of two direct connections to the Water Authority’s transmission line and supplies six pressure zones.<sup>30</sup> Seven storage tanks with a combined capacity of 21.400 million gallons or 60.7 acre-feet maintain pressure in ID-1.

Rincon del Diablo MWD has 21.4 million gallons – or 65.7 acre-feet – of potable water storage in ID-1 directly supplied by the Water Authority.

Treated water enters the ID-A distribution system from one of 30 connections to the City of Escondido’s distribution system. ID-1 consists of a single gravity pressure zone. Three storage tanks with a combined capacity of 4.600 million gallons or 14.1 acre-feet maintain pressure in ID-A.

Rincon del Diablo MWD has 4.6 million gallons – or 14.1 acre-feet – of potable water storage in ID-A directly supplied from the City of Escondido.

Rincon del Diablo MWD   Domestic Water Storage				
Table 6.1b (Source: Rincon del Diablo MWD)				
Service Area	Name	Zone	Elevation	Capacity
ID-1	R-3A	North	968	3.100 million gallons
	R-3B	North	968	2.800 million gallons
	R-4	Rockhoff	1,218	0.600 million gallons
	R-1A	South	918	3.100 million gallons
	R-1B	South	918	3.700 million gallons
	R-5	South	885	3.000 million gallons
	R-6	South	918	5.100 million gallons
Subtotal				21.400 million gallons
ID-A	R-2A	ID-A	805	0.400 million gallons
	R-2B	ID-A	805	1.100 million gallons
	R-2C	ID-A	807	3.100 million gallons
	Subtotal			
<b>Total</b>				<b>26.000 million gallons or 79.8 acre-feet</b>

### Service Demands

Rincon del Diablo MWD’s total average annual potable water demand production over the five-year report period within its two service areas (ID-1 and ID-A) has been 1.750 billion gallons or 5,368.8 acre feet. The most recent year-end amount showed total demand at 1.796 billion gallons or 5,513.0 acre-feet and represents an average daily water demand of 4.922 million gallons or 15.1 acre-feet. This

Rincon del Diablo MWD’s average annual potable water demand during the five-year report period has been 5,369 acre-feet.

<sup>30</sup> The two main pressure zones – North and South – in ID-A rely on gravity with pump stations lifting water to the remaining four zones – Candlelight Hills, Citricado, Rancho Verde, and Rockhoff – to serve relatively small residential areas at higher elevations. ID-1 also includes emergency interties to the Vista Irrigation District and Vallecitos Municipal Water District.

latter amount is further broken down into equivalents of 608 gallons per day for every service connection and 164 gallons for every estimated fulltime resident based on a projected resident service population of 29,955. The average peak-day demand – the highest one-day sum in a given year – over the report period combined within both service areas has been 10.890 million gallons or 33.4 acre-feet. This latter amount produces an average peaking factor of 2.2 and shows high-demand periods increase usage by double.

With respect to trends, Rincon del Diablo MWD has experienced an overall reduction of (13.9%) in water demands – or (2.8%) annually – over the five-year report period. The overall reduction in water demands over the corresponding 60-month period contrasts with the estimated 4.8% increase in population during the corresponding 60-month period and suggests residents have economized their water usage through various conservation activities. This latter comment is further illustrated in daily per resident use which generally fluctuates according to seasonal irrigation demands and has consistently remained 25 percent below 2013 State benchmarks, meeting the District’s SBx7-7 20 percent by 2020 reduction goals. Overall demands and trends follow.

Rincon del Diablo MWD’s overall daily potable water demands as measured by per capita use has decreased by 13.9% over the five-year report period from 5.71 million gallons to 4.92 million gallons. This contrast with the growth rate of 4.8% during the report period, and suggest residents are de-intensifying their water uses.

**Rincon del Diablo MWD | ID-1 Only Domestic Water Demands**  
 Table 6.1c (Source: Rincon del Diablo MWD and SD LAFCO)

Category	2014	2015	2016	2017	2018	Average	Trend
Annual Total	1.770 bg 5,432.2 af	1.396 bg 4,283.0 af	1.369 bg 4,202.1 af	1.442 bg 4,424.8 af	1.548 bg 4,749.7 af	1.505 bg 4,618.4 af	(12.5%)
Average Day Total	4.850 mg	3.824 mg	3.752 mg	3.951 mg	4.241 mg	4.124 mg	(12.5%)
... Per Resident	177.9 gpd	140.3 gpd	137.6 gpd	144.9 gpd	155.6 gpd	151.6	(12.5%)
Peak Day Total	10.260 mg	6.610 mg	8.000 mg	9.000 mg	8.000 mg	8.374 mg	(22.0%)
.... Peaking Factor	2.1	1.7	2.1	2.3	2.0	2.0	(4.8%)

bg = billion gallons  
 mg = million gallons  
 af = acre feet

**Rincon del Diablo MWD | ID-A Only Domestic Water Demands**  
 Table 6.1d (Source: Rincon del Diablo MWD and SD LAFCO)

Category	2014	2015	2016	2017	2018	Average	Trend
Annual Total	316.5 mg 971.2 af	210.5 mg 645.9 af	222.5 mg 682.8 af	224.6 mg 689.1 af	248.7 mg 763.3 af	244.6 mg 750.5 af	(21.4%)
Average Day Total	0.867 mg	0.577 mg	0.610 mg	0.615 mg	0.682 mg	0.670 mg	(21.4%)
... Per Resident	321.6 gpd	214 gpd	226.3 gpd	228.1 gpd	253 gpd	248.6 gpd	(21.4%)
Peak Day Total	2.720 mg	2.860 mg	2.000 mg	2.000 mg	3.000 mg	2.516 mg	10.3%
.... Peaking Factor	3.1	5.0	3.3	3.3	4.4	3.8	41.9%

bg = billion gallons  
 mg = million gallons  
 af = acre feet

## Service Performance

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Rincon del Diablo MWD's potable water system is generally operating with sufficient and excess capacity in supply and storage in accommodating existing demands based on usage generated during the five-year report period. These capacities are similarly expected to accommodate anticipated demands over the next five-year period with variables – including resiliency during different hydrological periods – having been appropriately evaluated by Rincon del Diablo MWD in its Urban Water Management Plan, which was most recently updated in 2016. The lone exception involves excessive peak-demands in ID-A with the report period average exceeding the rated capacity of the interties with the City of Escondido by one-fourth, and as a result creates added dependency on storage supplies to accommodate high usage periods.

The following statements summarize and quantify existing and projected relationships between Rincon del Diablo MWD's capacities and demands now and going forward to 2023. This includes referencing California's Waterworks Standards (Title 22 of the Code of Regulations) and its requirements all public community water systems have sufficient source, treatment, and storage capacities to meet peak day demand system-wide and within individual zones. It also addresses water quality and rates.

### Water Supplies:

- The average annual water production demands generated over the report period for the main service – ID-1 – represents 9.2% of Rincon del Diablo MWD's accessible maximum treated supply through its connections to the Water Authority. The average peak-day demand represents 18.6% of available supply.
- The average annual water production demands generated over the report period for the second service – ID-A – represents 34.4% of Rincon del Diablo MWD's accessible maximum treated supply through its connections to the City of Escondido. The average peak-day demand represents 125.8% of available supply and produces a 25.8% shortfall.

### Water Storage:

- Average peak-day water projection demands generated over the report period for ID-1 represents 39.1% of Rincon del Diablo MWD's existing total potable storage capacity for the service area. The total potable storage capacity can accommodate up to 2.5 consecutive days of average peak-day demands generated over the report period for the ID-1 without recharge.

- Average peak-day water projection demands generated over the report period for ID-A represents 54.7% of Rincon del Diablo MWD's existing total potable storage capacity for the service area. The total potable storage capacity can accommodate up to 1.8 consecutive days of average peak-day demands generated over the report period for the ID-A without recharge.

#### Water Quality:

- A review of the records maintained by the State Water Quality Control Board shows two violations for drinking water standards have been issued to Rincon del Diablo MWD for ID-1 and zero for ID-A since 2000. The last violation was issued in August 2014 and involved a positive coliform in ID-1. All violations were subsequently cleared.
- Rincon del Diablo MWD's most recent water quality report was issued in February 2019 and shows the results of self-monitoring conducted during 2018 for ID-1 and ID-A. The report is divided into testing for both primary and secondary contaminants as prescribed by the State. No excessive primary or secondary contaminants were identified for either domestic water system.

#### Water Rates:

- Rincon del Diablo MWD bills ratepayers for two related charges for domestic water service: (a) operations and (b) usage. The charges were last adjusted in January 2019 and collectively produce an equivalent monthly single-family residential charge of \$92.34 based on the household usage of 250 gallons per day.

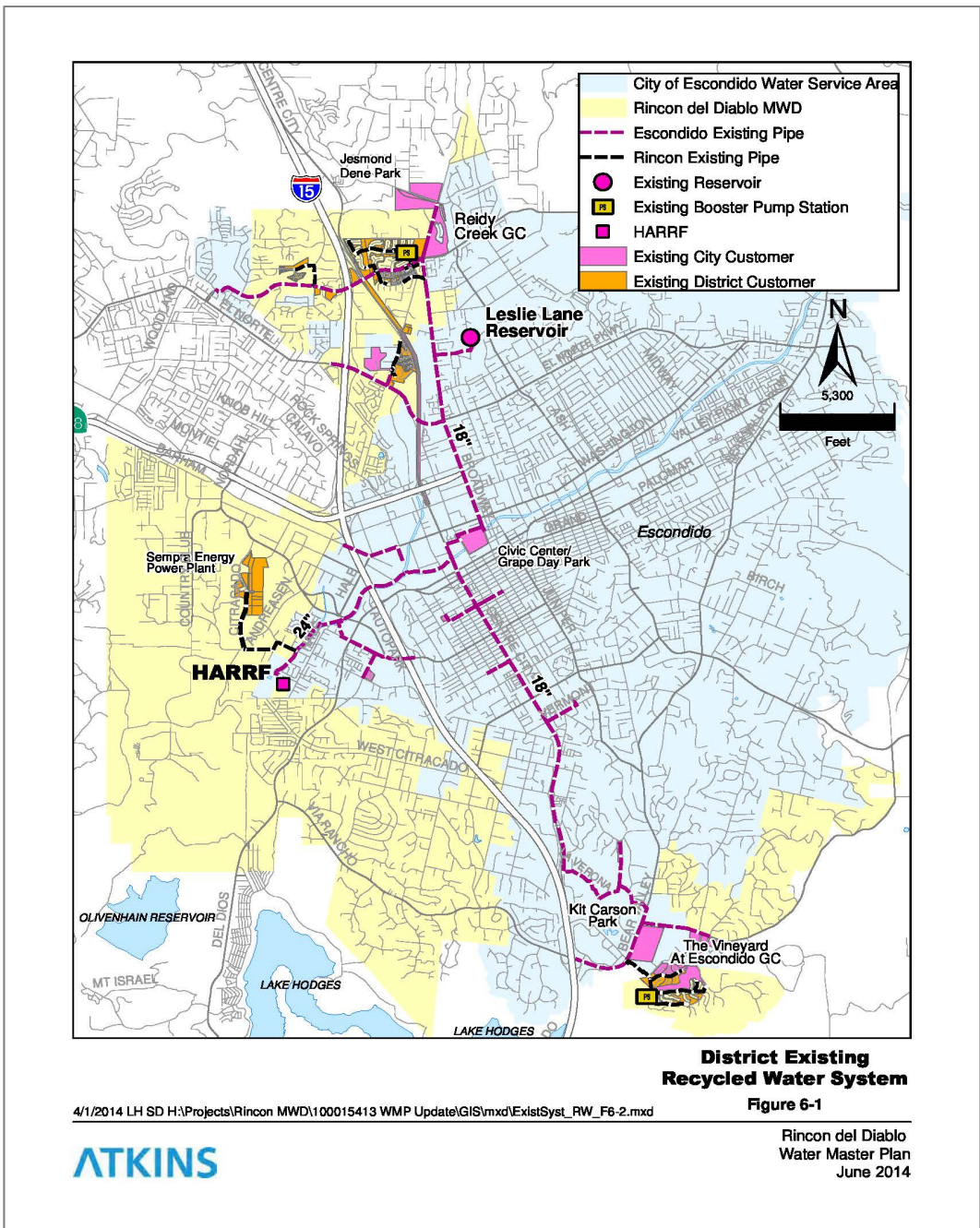
## **6.2 Recycled Water Service (Non Domestic)**

Rincon del Diablo MWD's recycled water service operations formally commenced in 2004 and currently involve retailing wholesale supplies purchased from the City of Escondido. Recycled water services are provided at tertiary level within portions of both ID-1 and ID-A and are either direct connections or branch off the City of Escondido's recycled water distribution system.

Rincon del Diablo MWD's recycled water system comprises internal service areas within ID-1 and ID-A and currently tier off of the City of Escondido's own distribution system.

Rincon del Diablo MWD’s recycled water system overall spans 6.7 miles of pipeline and currently serves 115 connections. Most connections serve homeowner associations and commercial businesses – including the Escondido Research and Technology Center – and utilize the recycled water for landscape irrigation and fire suppression. Recycled water is also purposed for industrial use at the Sempra Energy Plant, which presently accounts for more than four-fifths of all usage within Rincon del Diablo MWD.

### Rincon del Diablo MWD | Recycled Water System



## Service Capacities

Rincon del Diablo MWD’s recycled water supplies are entirely drawn at present from the City of Escondido and secured through a 1999 purchase agreement. The agreement provides Rincon del Diablo MWD no less than 0.400 million gallons – or 1.2 acre-feet – of tertiary-level recycled water produced at the City’s Hale Avenue Resource Recovery Facility or HARRF.<sup>31</sup>

Rincon del Diablo MWD’s agreement with the City of Escondido provides the District on average no less than 0.4000 million gallons – 1.2 acre-feet – of tertiary-level recycled water per day. Rincon del Diablo MWD must purchase no less than 462 acre-feet a year; supplies purchased beyond this amount are based on availability.

This agreement extends through February 2033 with an option for Rincon del Diablo MWD to extend in 10-year intervals subject to certain conditions. The agreement also specifies Rincon del Diablo MWD must purchase a minimum of 462 acre-feet of recycled water each year.<sup>32</sup> Current pipeline capacities provide the maximum total amount of recycled water available to Rincon del Diablo MWD is estimated at 2.0 million gallons – or 6.1 acre-feet – per day, and translates to an annual maximum of 2,240.0 acre-feet.

Rincon del Diablo MWD anticipates expanding its supply of recycled water in conjunction with its recent activation of its wastewater services and assuming ownership/operation of the Harmony Grove Village Wastewater Treatment Facility (WTF). The Harmony Grove Village WTF is expected to produce up to 0.180 million gallons or 0.6 acre-feet per day of additional tertiary-level recycled water beginning in July 2019.

### Rincon del Diablo MWD | Available Recycled Water Supplies

Table 6.2a (Source: Rincon del Diablo MWD)

Service Area	Direct Source	Maximum Daily Capacity	Maximum Annual Capacity
ID-1 and ID-A	City of Escondido	2.0 million gallons or 6.1 acre feet	730.0 million gallons or 2,240.0 acre feet

Rincon del Diablo MWD receives recycled water from the City of Escondido’s Hale Avenue Resource Recovery Facility (HARRF) and the Harmony Grove Village Water Reclamation Facility. Recycled water from the HARRF is conveyed along Escondido Creek up to the City’s Leslie Lane Reservoir, while recycled water from the HGV WRF remains mostly within the

Rincon del Diablo MWD’ is dependent on the City of Escondido’s storage facility – Leslie Reservoir – and its 2.0 million gallon capacity to in delivering recycled water in the District.

<sup>31</sup> The agreement specifies the City of Escondido will make available no less than 2.000 million gallons of recycled water during peak-demand periods. (HARRF processes wastewater from the City of Escondido and the Rancho Bernardo area of the City of San Diego. HARRF operates 24 hours a day with a current average day wastewater flow of 15.6 million gallons.)

<sup>32</sup> The agreement specifies the base year cost of one acre-foot of recycled water for Rincon del Diablo MWD is set for the 2001 year at \$487 and adjusts each year thereafter based on the consumer price index.

Harmony Grove Village community and is stored in Rincon del Diablo MWD’s R-1A reservoir, which also receives water from the HARRF. The City’s Leslie Lane has a storage capacity of 2.0 million gallons and Rincon’s R1-A reservoir is slightly over 3.0 million gallons. These reservoirs primarily operate independently, however, an automatic control valve between the two systems allow for system interoperability. .

### Service Demands

Rincon del Diablo MWD’s total average annual recycled water demand over the five-year report period has been 918.0 million gallons or 2,816.8 acre feet. The most recent year-end amount indicated a total demand at 894.0 million gallons or 2,754.0 acre-feet and represents an average daily recycled water demand of 2.451 million gallons or 7.5 acre-feet. This latter amount – notably – equals 51.1% of the total domestic water demand generated within Rincon del Diablo MWD. More than four-fifths of the most recent year end total involved usage at Sempra’s Palomar Energy Center. The average peak-day demand – the highest one-day sum in a given year – over the report period has been 3.9 million gallons or 12 acre-feet.

Rincon del Diablo MWD’s average annual recycled water demand during the five-year report period has been 2,819 acre-feet, and represents slightly more than one-half of the corresponding use of portable water within the District.

With respect to trends, Rincon del Diablo MWD has experienced an overall decrease of nearly two-fifths in recycled water demands – or (3.6%) annually – over the five-year report period. This change is more than three-fold less than the corresponding decrease in potable demands of (13.9%) during the 60-month period with the distinction largely attributed to the constant demand for recycled water at the Palomar Energy Center. Overall demands and trends follow.

Rincon del Diablo MWD   Recycled Water Demands							
Table 6.2b (Source: Rincon del Diablo MWD)							
Category	2014	2015	2016	2017	2018	Average	Trend
Annual Total	928.2 mg 2848.0 af	1.023 bg 3138.0 af	899.8 mg 2761.0 af	844.7 mg 2592.0 af	894.0 mg 2,745.0 af	918.0 mg 2,816.8 af	(3.6%)
Average Day Total	2.543	2.802	2.465	2.314	2.451	2.515	(3.6%)
Peak Day Total							
... Peaking Factor							

bg = billion gallons  
mg = million gallons  
af = acre feet



## Service Performance

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Rincon del Diablo MWD's recycled water system is currently operating at capacity with respect to available wholesale supplies from the City of Escondido based on average demands generated during the five-year report period. This capacity constraint is highlighted by annual demand averages equaling 125.8% of the rated capacity of the interties with Escondido. Similarly, the City of Escondido's recycled water storage facility – Leslie Reservoir – can accommodate less than one day of average demand. The addition of recycled water and storage from the Harmony Grove Village WTF will improve – but not eliminate – the current shortfall in daily supplies.

Additional analysis is pending.

## 6.3 Wastewater Service

Rincon del Diablo MWD's wastewater service operations formally commenced in June 2019 in conjunction with LAFCO's approval of the "Harmony Grove Village Reorganization" proposal.<sup>33</sup> The approval involved the activation of Rincon del Diablo MWD's latent wastewater service power and authorization therein to serve (collection, treatment, and disposal) the planned 425-acre Harmony Grove Village development and its 742 residential dwelling units located within the District's western jurisdictional boundary.<sup>34</sup>

### Service Capacities

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The recent activation of Rincon del Diablo MWD's wastewater services followed a multi-year planning effort between the County of San Diego and Rincon del Diablo MWD. These efforts culminated with Rincon del Diablo MWD agreeing to assume full wastewater responsibilities from the San Diego County Sanitation District and ownership/operation therein of the Harmony Grove Village WTF and associated gravity-based collection system.<sup>35</sup> The subdivision is currently at three-fifths of its planned built-out, and recently warranted activation of the Harmony Grove Village WTF in lieu of continuing to haul collected wastewater to a regional treatment facility for disposal. The Harmony Grove Village WTF

Rincon del Diablo MWD's Harmony Grove Village WTF is designed to accommodate on average up to 0.180 million gallons for treatment and disposal through the District's recycled water program.

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<sup>33</sup> LAFCO approved the Harmony Grove Village Reorganization proposal on June 4, 2018 subject to completion of terms and protest proceedings. The Certification of Completion was recorded with the County of San Diego Clerk-Recorder on June 3, 2019.

<sup>34</sup> LAFCO's approval for Rincon del Diablo MWD to provide wastewater services is limited to the Harmony Grove Village subdivision. Expansion of the wastewater services beyond the subdivision would require additional LAFCO approval.

<sup>35</sup> As part of the establishment of a wastewater-specific sphere of influence for Rincon del Diablo MWD encompassing the Harmony Grove Village subdivision, LAFCO also created two distinct "special study areas." These special study areas comprise two adjacent planned development entitlements by the County of San Diego involving Valiano-Eden Hills and Harmony Grove Village South.

is designed to accommodate an average day flow demand of 0.180 million gallons with 16.0 million gallons of onsite wet-weather storage. The Harmony Grove Village WTF is also designed to convert wastewater into tertiary-level recycled water for use within and outside the planned development.<sup>36</sup>

Rincon del Diablo MWD   Wastewater Service Capacity			
Table 6.3a (Source: Rincon del Diablo MWD   SD LAFCO)			
Service Area	Facility	Maximum Average Daily Capacity	Maximum Wet-Weather Storage
Harmony Grove Village	Harmony Grove Village WTF	0.180 million gallons	16.000 million gallons

## Service Demands

Rincon del Diablo MWD’s wastewater services commenced following the end of the five-year report period. The subsequent municipal service review for the 2023-2027 period will be the first opportunity for LAFCO to document actual demands and related trends.

## Service Performance

Consistent with the preceding section the next municipal service review for the 2023-2027 period will be the first opportunity for LAFCO to assess actual performance of wastewater services provided by Rincon del Diablo MWD.

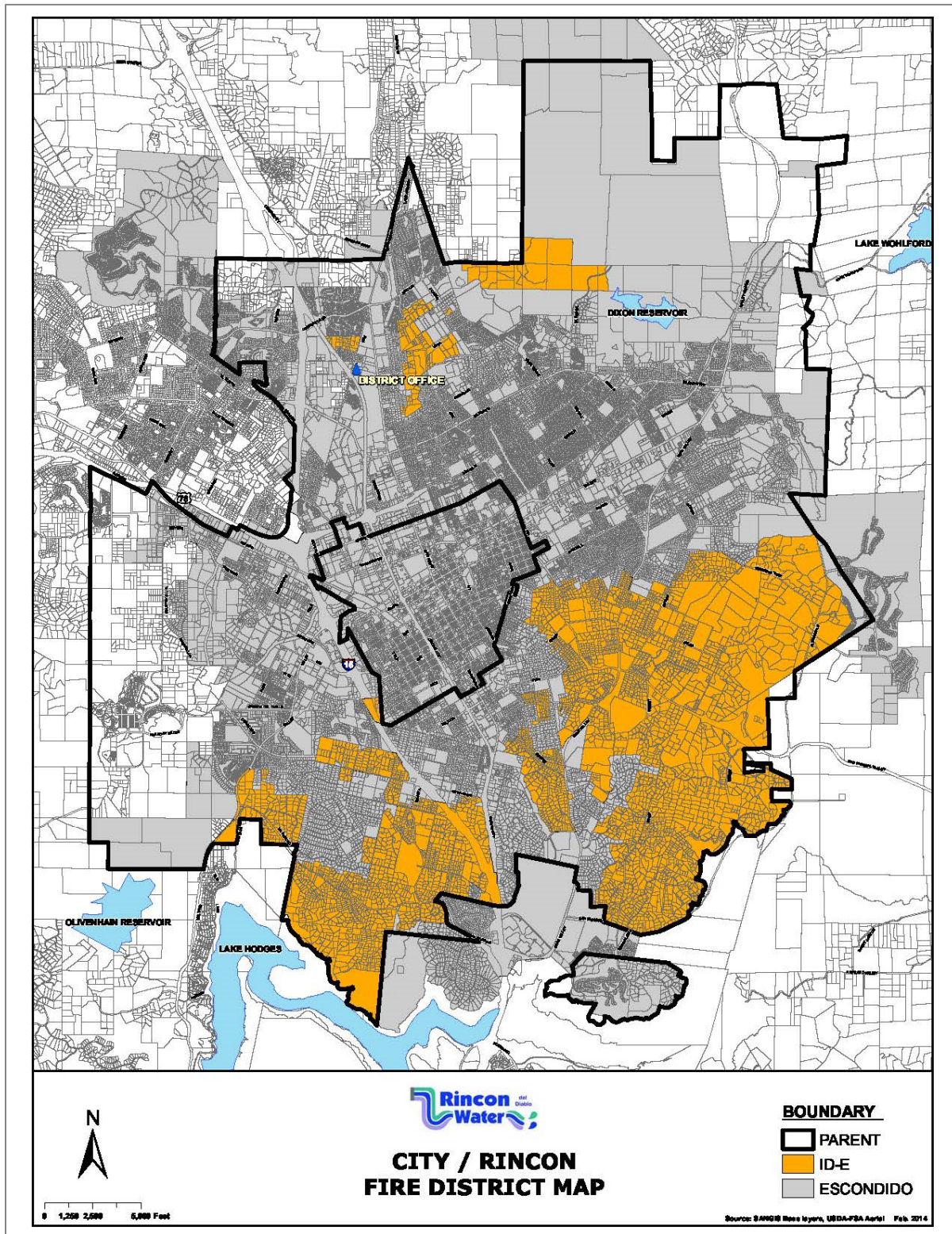
## 6.4 Fire Protection and Emergency Medical Services

Rincon del Diablo MWD’s fire protection and emergency medical services were established in 1976 and are presently provided within an approximate 9,600-acre area identified as Improvement District E or “ID-E”; an area that represents the unincorporated portion of the District’s jurisdictional boundary. Rincon del Diablo MWD’s decision to establish fire protection followed the County of San Diego cancelling a service contract with CAL FIRE and leading unincorporated residents to petition the District to assume service responsibilities.<sup>37</sup> Voters confirmed their interest by approving a special assessment to fund the construction of Rincon del Diablo MWD’s first fire station in the Felicita Park area and hiring professional firefighters to augment volunteer operations. A second station in San Pasqual Valley was later added in 1983. Rincon Del Diablo MWD directly provided fire protection service within ID-E until 1984 when it initially entered into a contract with the City of Escondido to assume all related service responsibilities within the District. A map of ID-E follows.

<sup>36</sup> Rincon del Diablo MWD also operates a 3.0 million gallon tank to store recycled water.

<sup>37</sup> At the time of the activation proceedings, LAFCO approval was not needed under statute.

### Rincon del Diablo MWD | Fire Protection Service Area



Rincon del Diablo MWD's service agreement with the City of Escondido for fire protection and emergency medical services dates back to 1989. The agreement specifies Escondido shall provide matching levels of service within the City and ID-E as measured by ISO ratings for fire protection and response times for emergency medical in exchange for a designated portion of property taxes collected by the District. The agreement also specifies Escondido shall maintain full control over all related operational activities. Rincon del Diablo MWD maintains administrative oversight, and this includes adopting an annual budget. The agreement is permanent unless mutually terminated or at the written request of either Rincon del Diablo MWD or Escondido with the approval of an arbitration panel.

Rincon del Diablo MWD's fire protection and emergency medical services within ID-E are contractually provided by Escondido at the same levels as the City.

### Service Capacities

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The City of Escondido's fire protection and emergency medical services' capacities are primarily dependent on human resources and currently budgeted with 122.6 fulltime equivalent employees with 111 classified as safety personnel or non-safety paramedics and considered "first responders." All first responders are assigned to one of seven fire stations located throughout Escondido that operate continuously with three-person engine crews. Four of the fire stations have rescue ambulances staffed with one firefighter-paramedic and one non-safety paramedic. One fire station has a medic ambulance staffed with two non-safety paramedics. Station No. 1 houses a ladder truck staffed with four safety personnel. The City is also a signatory on multiple auto-aid agreements with surrounding agencies – including the City of San Diego – to provide cross-boundary coverage as needed. Two of the City's stations are located within and/or immediately adjacent to ID-E and are No. 4 (Bear Valley Parkway) and No. 5 (Felicita Road); both of which are assigned with three engine staff shifts. Station No.5 has a rescue ambulance. Additional capacity details – including staffing trends over the five-year report period – will be addressed as part of a parallel review of the City.

### Service Demands

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Overall service demands for fire protection and emergency medical within Rincon del Diablo MWD's ID-E during the five-year report period have averaged 581 dispatched calls annually or 1.6 daily. This average represents 3.8% of the overall dispatch calls transacted by the City of Escondido during the report period. The most recent year-end total was 602. Dispatched service calls have increased in each of the five years and overall have risen by one-fifth – or 21.3% – during the corresponding 60-month period. Additional demand

details – including priority calls and onsite incidents within ID-E – will be addressed as part of a parallel review of the City.

## Service Performance

The City of Escondido reports overall onsite responses for all priority calls within its jurisdiction including the City and Rincon del Diablo MWD's ID-E have been within seven and one-half (7½) minutes no less than 90% of the time during the five-year report period. This response time for priority calls meet Escondido's adopted policy goal for urbanized areas. Much of Rincon del Diablo MWD's ID-E is rural in nature with longer travel times. Additional performance details – including response time breakdowns within ID-E – will be addressed as part of a parallel review of the City.

## 7.0 FINANCES

### 7.1 Financial Statements

Rincon del Diablo MWD contracts with an outside accounting consultant to prepare an annual report to review the District's financial statements in accordance with established governmental accounting standards. This includes auditing Rincon del Diablo MWD statements with respect to verifying overall assets, liabilities, and net position. These audited statements provide quantitative measurements in assessing Rincon del Diablo MWD short and long-term fiscal health with specific focus on delivering its activated services. The current outside consultant is White Nelson Diehl Evans LLP (Carlsbad).

Rincon del Diablo MWD's most recent audited financial statements for the five-year report period were issued for 2017-2018.<sup>38</sup> These audited statements show Rincon del Diablo MWD experienced a positive change over the prior fiscal year as its overall net position (regular accrual basis) for all fund activities

Most Recent Year-Ending Financial Statements (2017-2018)	
Assets	79,433,153
Liabilities	20,831,220
Outflow/Inflow	574,894
Net Position	\$59,472,104

increased by 2.6% from \$57.941 to \$59.472 million and primarily attributed to an increase in current assets. The accompanying auditor's report did not identify any weaknesses or related accounting concerns. A detailing of year-end totals and trends during the five-year report period follows with respect to assets, liabilities, and net position.

<sup>38</sup> The audit for 2017-2018 was issued by White Nelson Diehl Evans LLP on November 7, 2018.

## Agency Assets

Rincon MWD's audited assets at the end of 2017-2018 totaled \$79.434 million and finished 19.3% higher than the average year-end amount of \$66.541 million documented during the five-year report period. Assets classified as current with the expectation they could be liquidated within a year represented just over one-half of the total amount – or \$40.957 million – with over 75% tied to cash and investments. Assets classified as non-current and not readily liquid make up the remainder of the total – or \$38.476 million – and entirely tied to capital infrastructure with almost 90% associated with the water system's transmission and distribution lines. Overall assets for Rincon del Diablo MWD have increased by 46.5% over the corresponding 60-month period.

Rincon del Diablo MWD's assets have increased by nearly one-half during the report period. The increase is primarily attributed to year-end surpluses and rise in cash and investments from \$16.7 to \$30.8 million over the 60 month period.

### Rincon del Diablo MWD | Audited Assets

Table 7.1a | Source: Rincon del Diablo MWD

Category	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	Trend	Average
Current	\$19,142,567	\$26,107,458	\$26,119,384	\$37,782,532	\$40,957,108	114.0%	\$30,021,108
Non-Current	\$35,084,690	\$35,369,739	\$36,689,106	\$36,800,246	\$38,476,045	9.7%	\$36,519,965
Total	\$54,227,257	\$61,477,197	\$62,988,490	\$74,582,778	\$79,433,153	46.5%	\$66,541,775

## Agency Liabilities

Rincon MWD's audited liabilities at the end of 2017-2018 totaled \$20.831 million and finished 77.3% higher than the average year-end amount of \$11.746 million documented during the five-year report period. Liabilities classified as current and representing obligations owed within the year accounted for slightly less than one-third of the total with the majority tied to customer installment contracts. Liabilities classified as non-current and considered long-term debts make up the remaining two-thirds amount with the largest obligation tied to debt service payments.<sup>39</sup> Overall liabilities for Rincon del Diablo MWD have increased by 725.1% over the corresponding 60-month period and largely tied to capital construction.

Rincon del Diablo MWD's liabilities overall have increased by more than seven-fold during the report period. This overall increase is largely attributed to Rincon del Diablo MWD assuming \$10.1 million in long-term debt in 2016 associated with making improvements to the water system.

<sup>39</sup> Rincon del Diablo MWD's debt service involves the 2016 financing of a \$10.068 million improvement to its water system. The debt is secured through Pinnacle Public Finance, Inc. and necessitates a \$0.796 million annual payment through 2033.

### Rincon del Diablo MWD | Audited Liabilities

Table 7.1b | Source: Rincon del Diablo MWD

Category	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	Trend	Average
Current	\$2,524,680	\$7,033,715	\$6,158,474	\$3,928,991	\$6,076,708	140.7%	\$5,144,514
Non-Current	-	\$2,526,421	\$2,771,813	\$12,955,735	\$14,754,512	484.0%	\$6,601,696
<b>Total</b>	<b>\$2,524,680</b>	<b>\$9,560,136</b>	<b>\$8,930,287</b>	<b>\$16,884,726</b>	<b>\$20,831,220</b>	<b>725.1%</b>	<b>\$11,746,210</b>

Note:

Average and trend for non-current liabilities reflect only a 48-month period.

## Net Position

Rincon del Diablo MWD's audited net position or equity at the end of 2017-2018 totaled \$59.472 million and represents the difference between the District's total assets and total liabilities along with adjusting for deferred resources (i.e., pension outflows and inflows). This most recent year-end amount is 8.6% higher than the average year-end sum of \$54.770 million documented during the five-year report period. Three-fifths of the ending net position – or \$35.5 million – is tied to capital assets. Overall the net position has increased by 15.0% over the corresponding 60-month period and without adjusting for new pension and benefit reporting requirements. Adjusting to exclude pension obligations the overall increase in Rincon del Diablo MWD's net position has been 26.8%.

Rincon del Diablo MWD's net position has steadily increased during the report period with an overall change of 15.0% from \$51.7 million to \$59.4 million; an amount that includes now booking for pension obligations.

### Rincon del Diablo MWD | Audited Net Position

Table 7.1c | Source: Rincon del Diablo MWD

Category	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	Trend	Average
Invested in Capital	\$34,972,120	\$35,369,739	\$36,869,106	\$36,074,771	\$35,539,689	1.6%	\$35,765,085
Restricted	-	-	-	\$725,475	\$990,730	36.6%	\$858,103
Unrestricted	\$16,730,457	\$15,801,749	\$16,695,045	\$21,141,185	\$22,941,685	37.1%	\$18,662,024
<b>Total</b>	<b>\$51,702,577</b>	<b>\$51,171,488</b>	<b>\$53,564,151</b>	<b>\$57,941,431</b>	<b>\$59,472,104</b>	<b>15.0%</b>	<b>\$54,770,350</b>

Note:

Average and trend for restricted fund reflect only the last 24-month period.

Rincon del Diablo MWD maintains two distinct funds – general government (public safety) and enterprise (water) – underlying the net position.<sup>40</sup> The unrestricted portion of the net position as of the last audited fiscal year totaled \$22.941 million and represents the accrued spendable portion of the fund balance subject to discretionary designations. This unrestricted

The unrestricted portion of Rincon del Diablo MWD's net position has increased by over one-third over the report period and finished 2017-2018 with a balance equal to cover 15 months of operating expenses.

<sup>40</sup> Rincon del Diablo MWD's wastewater services did not become officially activated until June 3, 2019 and after the most recent audit report covering 2017-2018 was prepared.

amount represents 15 months of operating expenses and increases to 20 months when adjusted to exclude booked pension and benefit liabilities based on actual expenses in 2017-2018.

## 7.2 Measurements | Liquidity, Capital, and Margin

A review of the audited financial statement issuances by Rincon del Diablo MWD covering the five-year report period shows the District generally experienced positive financial changes in the four measured categories – liquidity, capital, margin, and structure – utilized in this document. This includes posting positive total and operation margins in all five fiscal years, which contributed to parallel improvements in days’ cash (liquidity), operating reserves (structure), and equipment replacement (structure). Debt levels were the lone notable exception and marked by increases in both the debt ratio (capital) and debt-to-net position (capital), albeit with both still finishing the period well below the 50% threshold standard for public utilities identified by LAFCO. A summary of liquidity, capital, margin, and structure ratio trends follow.

Standard measurements used to assess Rincon del Diablo MWD’s liquidity, margin, and structure levels show positive trends and ending positions over the five-year report period. Capital levels have reduced with the increase in debt, but nonetheless remain relatively low.

Rincon del Diablo MWD Financial Measurements								
Table 7.2a   Source: San Diego LAFCO								
Fiscal Year	Current Ratio	Days’ Cash	Debt Ratio	Debt to Net Position	Total Margin	Operating Margin	Operating Reserves Ratio	Equipment Replacement
2013-2014	7.6 to 1	453.6	4.6%	0.0%	9.2%	2.5%	112.3%	18.4
2014-2015	3.7 to 1	609.8	17.2%	7.0%	14.4%	6.8%	98.6%	17.0
2015-2016	4.2 to 1	609.0	15.4%	6.7%	11.9%	1.1%	108.1%	21.3
2016-2017	9.6 to 1	614.6	23.2%	23.5%	20.5%	3.2%	126.2%	22.3
2017-2018	6.7 to 1	716.4	26.5%	25.8%	23.7%	17.8%	129.1%	16.2
Average	6.4 to 1	600.7	17.4%	12.6%	16.6%	7.1%	115.4%	18.8
Trend	(11.1%)	57.9%	468.5%	270.6%	156.9%	616.2%	15.0%	(12.2%)

**Current Ratio (Liquidity)**

Compares available assets against near-term obligations; the minimum desirable ratio is 1.0 and means for every dollar in liability the agency has one dollar available to pay.

**Days’ Cash (Liquidity)**

Measures the number of days the agency can fund normal operations without any new cash income; an appropriate minimum threshold is 180 days.

**Debt Ratio (Capital)**

Measures the relationship between the agency’s total assets and liabilities; the higher the ratio the more susceptible the agency is to long-term cash flow stresses.

**Debt to Net Position (Capital)**

Measures the amount of long-term debt or borrowing of the agency against its accumulated net worth; an appropriate maximum standard threshold is 50%.

**Total Margin (Margin)**

Measures the bottom line of the agency with respect to comparing all revenues to all expenses; a positive percentage is desirable within the caveat capital improvement expenditures may appropriately result in a negative percentage in individual years.

**Operating Margin (Margin)**

Measures the relationship between core operational revenues and expenses and excludes one-time transactions, like grants and loans; a consistent positive percentage shows the agency has established a structured budget.

**Operating Reserves Ratio (Structure)**

Measures the percent of available monies of an agency to cover unforeseen shortfalls; an appropriate maximum standard threshold is 50%.

**Equipment Replacement Ratio (Structure)**

Measures the average age of depreciable equipment and facilities; the lower the number the younger the infrastructure with the assumption therein better efficiencies/effectiveness.



### 7.3 Pension Obligations

Rincon del Diablo MWD provides a defined benefit plan to its employees through an investment risk-pool contract with the California Public Employees Retirement Systems (CalPERS). This pension contract provides employees with specified retirement benefits based on the date of hire and placement in one of three category types: “public safety”; “classic”; and “non-classic.” Additional details of the pension program based on actuarial valuations issued by CalPERS during the five-year report period with respect to formulas, enrollees, contributions, and funded status follows.

#### Pension Formulas and Enrollees

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The last annual valuation issued during the five-year report period followed 2016-2017 and identified 67 total participants within Rincon del Diablo MWD’s pension program. This total represents an overall decrease of one during the corresponding 48 month period. The total is also divided between enrollee type (i.e., active, separated, transferred, retired) and produces a current positive worker-to-retiree ratio of 1.2 to 1. A summary of benefits for all three category types follow.

Rincon de Diablo MWD provides one of three types of defined pension benefits. Most employees qualify for “classic” pension benefits with start dates before January 1, 2013 and involves a 2.0 @ 55 formula. Other employees hired after January 1, 2013 qualify as “non-classic” and involves a 2.0 @ 62 formula. The third type is for “public safety” and involves a 2.0 @ 50 formula.

- Classic miscellaneous employees have start dates before January 1, 2013 and represent 77.6% – or 52 – of the total enrollees. These employees receive a defined benefit based on a 2.0% at 55 formula. This formal provides eligible retirees with 20 years of total service credit 40% of their highest one year of salary each year beginning at age 55.
- Non-classic miscellaneous employees have start dates after January 1, 2013 and represent 7.4% - or five – of the total enrollee. These employees receive a defined benefit based on a 2.0% at 62 pension formula. This formal provides eligible retirees with 20 years of total service credit 40% of their highest annual salary based on a three-year average each year beginning at age 62.
- Public safety employees account for the remaining 14.9% – or 10 – of the total enrollees and receive a 2.0% at 50 pension formula. This formal provides eligible retirees with 20 years of total service credit 40% of their highest one year of salary each year beginning at age 50.<sup>41</sup>

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<sup>41</sup> Of the 10 public safety employees one is listed as active and the other nine as non-active or retired.

### Rincon del Diablo MWD | Pension Enrollee Information

Table 7.3a | Source: CalPERS

Type	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
Active	39.0	38.0	34.0	36.0	n/a
Non Active (Retired)	29.0	30.0	33.0	31.0	n/a
<b>Total Enrollees</b>	<b>68.0</b>	<b>68.0</b>	<b>67.0</b>	<b>67.0</b>	<b>n/a</b>
<b>Worker-to-Retiree Ratio</b>	<b>1.34 to 1</b>	<b>1.27 to 1</b>	<b>1.03 to 1</b>	<b>1.16 to 1</b>	<b>n/a</b>

## Annual Contributions

Rincon del Diablo MWD's total annual pension contribution in the most recent valuation issued during the five-year report period in 2016-2017 tallied \$0.164 million. This contribution equals 14.0% of the corresponding payroll total for Rincon del Diablo and has increased by 16.0% during the corresponding 48-month period. This increase is more than two-fold greater than the corresponding inflation rate for the San Diego region for the period.<sup>42</sup>

Rincon del Diablo MWD's pension contribution as of the last annual valuation equaled 14% of payroll and overall has increased by 16% during the corresponding 48-month period.

### Rincon del Diablo MWD | Annual Pension Contributions

Table 7.3b | Source: Rincon del Diablo MWD

Category	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	Trend
Total Amount	260,589	278,061	246,264	164,323	n/a	(36.9%)
Percent of Payroll	12.1%	16.4%	16.6%	14.0%	n/a	16.0%

## Funding Status

Rincon del Diablo MWD's total and composite unfunded liability in the most recent valuation issued during the five-year report period totaled \$16.192 million (2016-2017). This amount reflects the accrued monies owned and not covered by assets and translates to a composite funded ratio of 75.3% based on market value. Overall Rincon del Diablo MWD's funded ratio has decreased by (11.3%) during the report period and underlies a corresponding increase of more than four-fifths in the total net unfunded liability.

Rincon del Diablo MWD's combined funded ratio as of the last annual valuation is 75.3%. This ratio has decreased overall by (11.3%) during the corresponding 48 month period.

<sup>42</sup> The consumer price index for the San Diego region increased by 6.7% between 2014 and 2017 according to the United States Department of Labor Bureau of Labor Statistics.

## Rincon del Diablo MWD | Pension Funding Status

Table 7.3c | Source: CalPERS

Category	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	Trends
Pension Assets	12,289,667	12,089,438	11,549,054	12,188,326	n/a	(0.8%)
Pension Liabilities	14,486,415	15,031,352	15,558,510	16,192,769	n/a	(11.8%)
Unfunded Liability	2,196,748	2,941,914	4,009,456	4,004,443	n/a	82.9%
Funded Ratio	84.8%	80.4%	74.2%	75.3%	n/a	(11.3%)

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