



MEMORANDUM

October 7, 2019

TO: Commissioners

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

**SUBJECT: Agenda Item No. 7b |
 Amended Recommendation to Include Additional Revisions to Final Report
 and Resolution Making Determinations**

Staff proposes four additional revisions to the final report and associated resolution previously circulated for Item No. 7b involving Part One of the scheduled municipal service review on the Escondido region. The additional revisions are generally modest and respond to a comment letter received on October 3rd from the City of Escondido. The comment letter requests five specific revisions to the final report and by extension the draft resolution codifying the document’s written determinations. All five requested revisions by Escondido affect either recommendations or determinations involving Rincon del Diablo Municipal Water District. Staff has consulted with Rincon and believes four revisions are merited and add value to Part One and address Comments No. 1, 2, 3, and 4 (partially) in the Escondido letter. The remainder of Comment No. 4 and all of No. 5 in the Escondido letter are more substantive and should be deferred for additional consideration in Part Two.

The proposed revisions recommended by staff are summarized below in sequential order as they appear in the final report and separately shown in track-change format in the accompanying attachments.

1. Executive Summary | Recommendation No. 2

Staff proposes a modest revision requested by Escondido (Comment No. 1) to reword an existing recommendation for Rincon to secure additional recycled water supplies to meet existing and future demands within the District. The rewording clarifies LAFCO’s priority interest in Rincon and Escondido partnering to expand recycled water resources.

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2. Executive Summary | Recommendation No. 2 and Determination 5.3-3(d)(v)
Staff proposes a substantive revision in response to a request made by Escondido (Comment No. 2) and with concurrence from Rincon. The revision deletes a recommendation and associated determination for Rincon to adopt its own response standards for fire protection and emergency medical services. Escondido's suggestion for rewording prompted additional review and staff believes the statement is no longer appropriate given existing procedures and practices between the two agencies provide sufficient clarification the City's standard appropriately applies to Rincon's service area.

3. Executive Summary | Determination 5.3-3(a)(ii)
Staff proposes a modest revision requested by Escondido (Comment No. 3) to reword an existing determination addressing the overall adequacy of Rincon's contract water supplies with the San Diego County Water Authority. The revision expands the determination to reference a portion of these supplies are wheeled through the City's water system for delivery within Rincon's ID-A service area.

4. Executive Summary | Determination 5.3-3(b)(ii)
Staff proposes a modest revision in response to a more substantive request by Escondido (Comment No. 4) to address concerns with the 1999 agreement that underlies the supply of recycled water from the City to Rincon. Staff believes a more modest revision is appropriate at this time to note the agreement should be revisited for the benefit of both agencies. Staff separately believes it would be appropriate to defer and consider Escondido's principal comment in Part Two.

It is recommended the Commission proceed with the recommendation provided in the agenda report to approve Alternative One with an amendment to include the revisions outlined in this memorandum and shown in the attachments.

Attachments:

- 1) Proposed Revisions to Final Report's Executive Summary (Track Change)
- 2) Proposed Revisions to Draft Resolution (Track Change)
- 3) City of Escondido Letter, Dated October 3, 2019

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 staff and will include additional focus on an anticipated reorganization proposal involving the Harvest Hills (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.

Looking Back | Determining the Data Collection Range or Report Period

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.

Looking Forward | Setting the Report’s Timeframe

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 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 Deer Springs FPD and Rincon del Diablo MWD and unless otherwise merited.

Calculating Population Estimates and Projections

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.

Focusing on Macro-Level Determinations

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.

Benchmarking Infrastructure Needs and Deficiencies

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.

Benchmarking Fiscal Solvency

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.⁶ 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.

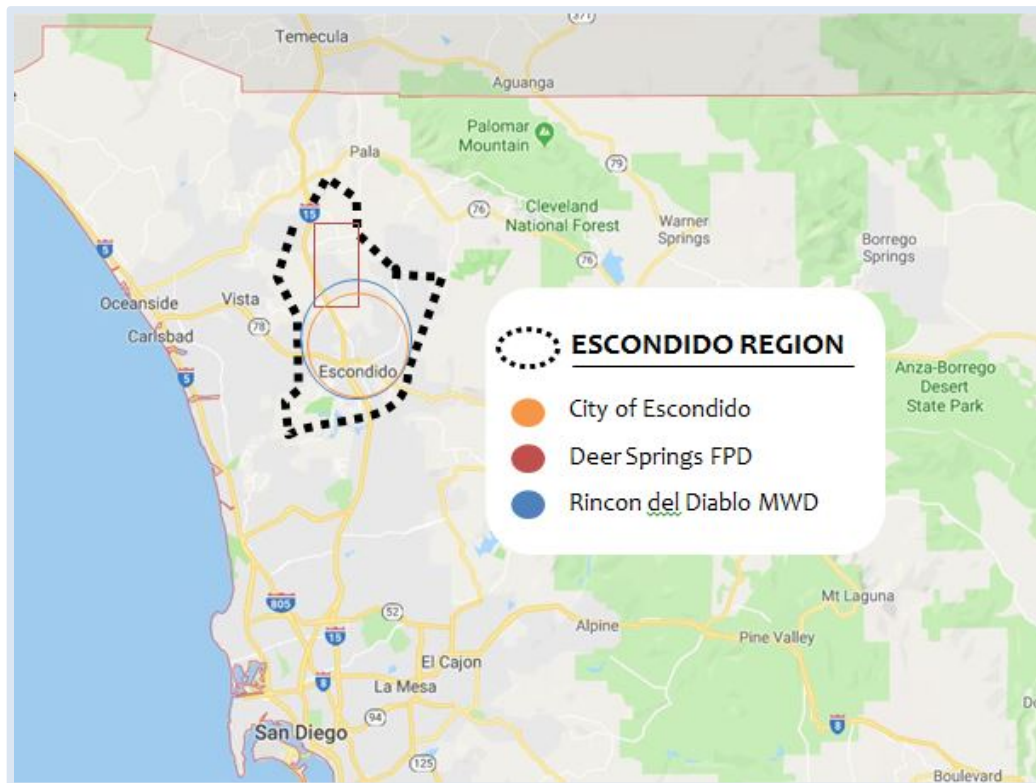
3.0 GEOGRAPHIC AREA

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.⁷ 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 protection and emergency medical, recreation and parks, roads and street lighting, potable

⁶ 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.

⁷ 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.

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 78.⁸ 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 1954.⁹ Deer Springs FPD’s formation in 1981 completes the current and relatively confined concentration of local government in the region among these three agencies.

The current estimated population within the region is approximately 182,000 with four-fifths

⁸ Reference to SANDAG’s State of the Commute, 2015-2016.

⁹ 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.

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 with 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 standard 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 transition in recent years due to resident preferences as well as policy shifts 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 with the expectation the work may extend into the subsequent fiscal year.

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 encourage the production and use of secure recycled water, ~~including 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 on the significant investments being made 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.~~
- ~~4.3.~~ 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.
- ~~5.4.~~ 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.

- ~~6.5.~~ 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 of influence updates.
- ~~7.6.~~ 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.
- ~~8.7.~~ 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.
- ~~9.8.~~ 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 involving both agencies. These updates should be timed in step with the Escondido update and formally added to the workplan for 2019-2020.
- ~~10.9.~~ San Diego LAFCO should consider existing automatic aid agreements and the delivery of actual services in helping to inform potential changes to the Deer Springs FPD sphere of influence and – as appropriate – enact boundary changes.

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

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.

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 in conjunction with receiving the final report.

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, and within the ID-A section of the Rincon service area provided from the Escondido water treatment plant via City water mains. 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.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.

iii.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.

iv.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.

iv.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.

vi.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 1999 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 but merits revisiting for the benefit of both agencies. ~~However, the~~ This includes noting 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.v. 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 31% 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 13% 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 through the County 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.
3. Opportunities for Deer Springs FPD to continue and evolve their existing relationship with County of San Diego 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. This includes reconciling the ongoing and intended progression of the County Fire Authority and the planned reduction of annual subsidies provided to Deer Springs FPD in helping to fund the District's CAL FIRE contract.
4. 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.
5. 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 current questions in the region and premised as an informational document and possibility transition with merit to facilitate a functional or political consolidation.
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 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.
6. Discussions between Deer Springs FPD and the surrounding agencies – including but not limited to San Marcos and Vista FPDs – are encouraged with respect to aligning jurisdictional boundaries to better reflect actual service demands based on current automatic aid commitments. The Commission will draw on these discussions to inform sphere of influence updates and help optimize the provision of fire protection and emergency medical services in the region.

RESOLUTION NO. __

SAN DIEGO COUNTY LOCAL AGENCY FORMATION COMMISSION

MAKING DETERMINATIONS AND APPROVING MUNICIPAL SERVICE REVIEW
ESCONDIDO REGION: PART ONE

– Deer Springs Fire Protection District –
– Rincon del Diablo Municipal Water District –

WHEREAS, the San Diego County Local Agency Formation Commission, hereinafter referred to as the “Commission,” is a political subdivision of the State of California with regulatory and planning responsibilities to facilitate orderly growth and development under the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000; and

WHEREAS, the Commission is responsible under Government Code Section 56430 to regularly prepare municipal service reviews to independently and comprehensively evaluate the sufficiency of local government services to inform its regulatory and other planning activities; and

WHEREAS, the Commission adopted a workplan for 2019-2020; and

WHEREAS, the Commission’s Executive Officer and staff prepared the first phase or “Part One” of a municipal service review on the Escondido region and is specific to the public services provided by the Deer Springs Fire Protection District and Rincon del Diablo Municipal Water District consistent with statute and the adopted workplan; and

WHEREAS, the Executive Officer has filed his report on Part One of the municipal service review, which was received and considered by the Commission; and

WHEREAS, the Executive Officer voluntarily set a public hearing on Part One of the municipal service review for October 7, 2019, and gave notice of the date, time, and place of hearing in accordance with Government Sections 56660 and 56661.

WHEREAS, the Commission is required as part of the municipal service review to prepare written determinations addressing all of the factors prescribed under Government Code Section 56430(a).

NOW THEREFORE, BE IT RESOLVED, the Commission hereby finds, determines, and orders the following:

1. The Commission determines Part One of the municipal service review is a project under the California Environmental Quality Act but qualifies for an exemption from further action as an informational document consistent with State Guidelines Section 15306.
2. The Commission has considered the Executive Officer's written report on Part One the municipal service review and recommendations therein on the availability, need, and adequacy of public services provided in the Escondido region by the Deer Springs Fire Protection District and the Rincon del Diablo Municipal Water District.
3. The Commission adopts the statement of written determinations generated from information presented in the Executive Officer's written report on Part One the municipal service review as set forth in Exhibit "A."
4. The Commission refers the public to the Executive Officer's written report on Part One of the municipal service review for additional details and important context, including – but not limited to – documenting each agency's active and latent service powers.
5. The Commission authorizes the Executive Officer to make non-substantive corrections or edits to this resolution as authorized under Government Code Section 56883.

PASSED AND ADOPTED by the Commission on October 7, 2019 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAINING:

ATTEST:

RUTH ARELLANO
Executive Assistant

EXHIBIT A

MUNICIPAL SERVICE REVIEW ON THE ESCONDIDO REGION: PART ONE

STATEMENT OF DETERMINATIONS GOVERNMENT CODE SECTION 56430

The following statements have been generated from the final report prepared as Part One of the scheduled municipal service review on the Escondido region. Abbreviations and acronyms are incorporated into the statements below for brevity.

- I. With respect to growth and population projections for the affected areas as required under Section 56430(a)(1), the Commission independently determines the following.
 1. San Diego LAFCO 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. 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.
 6. 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.

II. With respect to the location and characteristics of disadvantaged unincorporated communities within the affected areas as required under Section 56430(a)(2), the Commission independently determines the following.

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.
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. Additionally:
 - 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.
3. 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.

III. With respect to the capacity of public facilities and infrastructure needs and deficiencies within the affected areas as required under Section 56430(a)(3), the Commission independently determines the following.

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, and within the ID-A section of the Rincon service area provided from the Escondido water treatment plant via City water mains. 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 1999 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 but merits revisiting for the benefit of both agencies. ~~However, the~~ This includes noting 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.v.~~ 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.

IV. With respect to the financial ability of agencies to provide services within the affected areas as required under Section 56430(a)(4), the Commission independently determines the following.

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 31% 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 13% 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.
- V. With respect to the status and opportunities therein for shared services within the affected areas as required under Section 56430(a)(5), the Commission independently determines the following.
- 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 through the County 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.

3. Opportunities for Deer Springs FPD to continue and evolve their existing relationship with County of San Diego 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. This need response to the ongoing and intended progression of the County Fire Authority and the planned reduction of annual subsidies provided to Deer Springs FPD in helping to fund the District's CAL FIRE contract.
4. 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.
5. 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.

VI. With respect to accountability and opportunities and merits therein for governance alternatives as required under Section 56430(a)(6), the Commission independently determines the following.

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 current questions in the region and premised as an informational document and possibility transition with merit to facilitate a functional or political consolidation.

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 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.
6. Discussions between Deer Springs FPD and the surrounding agencies – including but not limited to San Marcos and Vista FPDs – are encouraged with respect to aligning jurisdictional boundaries to better reflect actual service demands based on current auto-aid commitments. The Commission will draw on these discussions to inform sphere of influence updates and help optimize the provision of fire protection and emergency medical services in the region.

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Jeffrey R. Epp, City Manager
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October 3, 2019

Keene Simonds, Executive Officer
San Diego Local Agency Formation Commission
Subdivision of the State of California, Regional Service Planning
9335 Hazard Way, Suite 200
San Diego, CA 92123

Dear Mr. Simonds:

The City of Escondido would like to recommend 5 specific changes prior to adoption of the Final Report on the Municipal Services Review of the Escondido Region, Part 1. This Report was presented to you in August and made available for public review in recent weeks. The City has participated in this process but we believe these changes add clarity and accuracy to the Final Report.

1. The Report currently states, at Page 21 – “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.”

We would like to recommend that this section be re-worded as follows:

Rincon del Diablo MWD should continue efforts to encourage the production and use of recycled water, including further partnering with the City of Escondido on the significant investments being made in recycled water production.

2. The Report currently states, at Page 21 – “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.”

By way of background, we would like to point out that functional consolidation of emergency services has occurred to the point that the City and District jurisdiction are regarded the same operationally. Fire department station locations and resource assignments maximize the effectiveness of the Escondido Fire Department with no delineation between

the service areas of the City and the District. Response time performance for priority calls are evaluated within the entire, combined jurisdictional area of both the City and District. It would be contrary to the intent of the original agreement for Rincon del Diablo MWD to adopt different response standards.

Therefore, we recommend the current language be re-worded as follows:

In the interest of clarifying the District's own performance expectations and informing additional service planning for the future, Rincon del Diablo MWD should consider adopting the City's responds standards for fire protection and emergency medical services as standards for the entirety of the jurisdiction of the District and the City.

- 3) The Report currently states, at Page 26 – "Rincon del Diablo MWD's potable water supplies are entirely drawn by contract from the San Diego County Water Authority."

We believe this statement needs to be clarified for accuracy, and therefore would suggest it be re-worded as follows:

Rincon del Diablo MWD's potable water supplies are entirely drawn by contract from the San Diego County Water Authority, and within the ID-A section of the Rincon service area, such water is provided from the Escondido water treatment plant via City water mains.

- 4) The Report currently states, at Page 28 – "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."

By way of background, all of Rincon del Diablo MWD recycled water is provided under the auspices of the 1999 agreement, which prices recycled water on a specified formula and the Consumer Price Index. The 1999 agreement pre-dates Proposition 218, and also pre-dates the Agreements under which Rincon del Diablo provides the bulk of the recycled water to a

local power plant. Thus, we recommend this paragraph to be reworded as follows:

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, this 1999 agreement pre-dates contemporary realities affecting the use, pricing and quantity of recycled water provided by the City to the District. The price structure of the 1999 agreement now yields insufficient revenue to support treatment expansion by the City to support Rincon demand. 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, ideally through an updated agreement with Escondido.

- 5) Finally, we would respectfully request that the Commission consider one additional recommendation.

By way of background, the Fire Service agreement between the City and Rincon del Diablo MWD requires that certain revenues of Rincon would be paid to the City. In addition to mitigation fees to pay for capital improvements required due to growth, these revenues included a portion of property tax revenues received by Rincon and the proceeds from a benefit assessment tax to pay for the operations of the Fire Department. The benefit assessment tax was set at \$72 per dwelling unit and \$47 per unimproved lot within IDE, however, there was no increase factor applied to these amounts. During the thirty years subsequent to this agreement, the benefit assessment has remained the same while inflationary forces have driven up the cost for personnel, supplies and equipment. This issue has been raised over the years beginning in 2006 and there have been several studies commissioned over the years by both the City and Rincon del Diablo Municipal Water District, however, no conclusions or plans for remedy have been made.

Therefore, we propose an additional recommendation that would read along these lines:

It is recommended that the City and the District conduct mutual studies and reach agreement on a sustainable means for covering

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District financial responsibilities for the full range of fire and emergency services provided by the Escondido Fire Department.

Thank you for your consideration of these additional changes.

Sincerely,



Jeffrey R. Epp
City Manager

cc: Michael McGuinness, City Attorney
Rick Vogt, Fire Chief
Christopher McKinney, Director of Utilities
Bill Martin, Director of Community Development
Clint Baze, Interim General Manager of Rincon del Diablo Municipal Water District