



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

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AGENDA REPORT
 Business | Discussion

September 18, 2020

TO: Cities Advisory Committee

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

SUBJECT: Update on Reorganization Proposals Filed by Fallbrook Public Utility District and Rainbow Municipal Water District to Concurrently Detach from the San Diego County Water Authority and Annex to Eastern Municipal Water District

SUMMARY

The Cities Advisory Committee (“Committee”) will receive an update on the administrative reviews underway for two related but separate reorganization proposals filed by the Fallbrook Public Utility District and Rainbow Municipal Water District to transition wholesale water service providers from the San Diego County Water Authority to Eastern Municipal Water District. This includes activities undertaken by an Ad Hoc Committee to assist in the administrative reviews and help address disputes among the subject agencies that directly and/or indirectly affected all 18 cities in San Diego County. The item is being presented for discussion with the opportunity to provide feedback to the Committee’s representative to the Ad Hoc Committee (Lydia Romero) and/or LAFCO staff.

BACKGROUND

LAFCO received separate reorganization proposals in March 2020 from Fallbrook and Rainbow to concurrently (a) detach from the San Diego County Water Authority and (b) annex to Eastern. The stated purpose of the reorganizations is to achieve cost-savings for the applicants and their constituents by transitioning the purchase of wholesale supplies. The Water Authority formally responded to the filings by requesting and receiving

<p>Administration Keene Simonds, Executive Officer County Operations Center 9335 Hazard Way, Suite 200 San Diego, California 92123 T 858.614.7755 F 858.614.7766 www.sdlafco.org</p>	<p>Jim Desmond County of San Diego</p> <p>Chair Dianne Jacob County of San Diego</p> <p>Greg Cox, Alternate County of San Diego</p>	<p>Mary Casillas Salas City of Chula Vista</p> <p>Bill Wells City of El Cajon</p> <p>Paul McNamara, Alternate City of Escondido</p>	<p>Mark Kersey City of San Diego</p> <p>Chris Cate, Alternate City of San Diego</p>	<p>Jo MacKenzie Vista Irrigation</p> <p>Barry Willis Alpine Fire Protection</p> <p>Erin Lump, Alternate Rincon del Diablo MWD</p>	<p>Vice Chair Andy Vanderlaan General Public</p> <p>Harry Mathis, Alternate General Public</p>
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Commission approval in May 2020 to apply alternative conducting authority proceedings if one or both reorganization proposals are subsequently approved. This substantively means any reorganization approval will bypass standard protest proceedings and directly proceed to a confirmation election of registered voters. The Commission also proceeded to establish an Ad Hoc Committee to directly advise LAFCO staff in the administrative reviews with respect to statutory factors as well as local considerations and done so in recognition of the complexities and controversies underlying both proposals. Members from all four subject agencies (Rainbow, Fallbrook, Eastern, and Water Authority) are on the Ad Hoc Committee as well as other at-large agency representatives, including Lemon Grove City Manager Lydia Romero on behalf of the Cities Advisory Committee.¹

DISCUSSION

This agenda item is for Committee to receive an update on the current administrative reviews on the Fallbrook and Rainbow reorganization proposals and provided feedback as needed. This includes summarizing activities undertaken to date by the 10-member Ad Hoc Committee and their current work on developing a list of specific topics meriting detailed consideration given unique factors underlying the proposals. The resulting list of topics agreed to by the Ad Hoc Committee meriting detailed consideration by LAFCO in the review of the two reorganization proposals follow.

1. Water Supply Reliability
Are the wholesale supplies between the San Diego County Water Authority and Eastern (i.e., MET) substantially different in terms of source, availability, and quality.
2. Ratepayer Impacts
What are the expected rate savings to Rainbow and Fallbrook should LAFCO approve the reorganization proposals as well as the potential rate increases for the remaining 22 member agencies of the San Diego County Water Authority.
3. Departure Fees
Are exit fees needed and/or merited in the form of LAFCO approval conditions to make the San Diego County Water Authority reasonably whole should Fallbrook and/or Rainbow be allowed to detach.

The Ad Hoc Committee also agreed all three above topics merited LAFCO retaining one or more outside consultants. It was similarly agreed all four subject agencies should be directly involved in the selection of the consultant(s) and a subsequent striking system was developed should disagreements emerge. The actual scope of work will be between LAFCO and the consultant(s). Staff anticipates selection of the consultant(s) in the next two weeks.

¹ Ms. Romero was appointed to the Ad Hoc Committee to represent the Cities Advisory Committee by the Executive Officer with concurrence from Chair Dianne Jacob.

Digital copies of all application materials as well as related correspondence received to date on the two reorganization proposals is available online at www.sdlafco.org.

ANALYSIS

The reorganization proposal filings by Fallbrook and Rainbow to detach from the San Diego County Water Authority and annex to Eastern remain in the early stages of their administrative reviews. The topics identified in the preceding section – and highlighted by potential exit fees – are expected to generate considerable discussion with the Ad Hoc Committee and ultimately with the Commission. The Committee is invited to review and discuss these topics as well as other items it believes warrant attention by the Ad Hoc Committee and/or LAFCO staff proceeding forward.

RECOMMENDATION

This item is presented to the Committee for discussion and feedback only.

ALTERNATIVES FOR ACTION

None.

PROCEDURES

This item has been placed on the Committee's agenda as part of the business calendar. It will include a brief verbal presentation from staff followed by discussion from the Committee.

Respectfully,



Keene Simonds
Executive Officer

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