



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

**6d**

**AGENDA REPORT**  
 Business | Discussion

September 18, 2020

**TO:** Special Districts 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 Special Districts Advisory Committee (“Committee”) will receive an update on the administrative reviews on 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 many special districts 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 (Kim Thorner) 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 approval

<p><b>Administration</b>          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><b>Jim Desmond</b>          County of San Diego</p> <p><b>Chair Dianne Jacob</b>          County of San Diego</p> <p><b>Greg Cox, Alternate</b>          County of San Diego</p>	<p><b>Mary Casillas Salas</b>          City of Chula Vista</p> <p><b>Bill Wells</b>          City of El Cajon</p> <p><b>Paul McNamara, Alternate</b>          City of Escondido</p>	<p><b>Mark Kersey</b>          City of San Diego</p> <p><b>Chris Cate, Alternate</b>          City of San Diego</p>	<p><b>Jo MacKenzie</b>          Vista Irrigation</p> <p><b>Barry Willis</b>          Alpine Fire Protection</p> <p><b>Erin Lump, Alternate</b>          Rincon del Diablo MWD</p>	<p><b>Vice Chair Andy Vanderlaan</b>          General Public</p> <p><b>Harry Mathis, Alternate</b>          General Public</p>
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from the Commission in May 2020 to apply alternative conducting authority proceedings if one or both reorganization proposals are approved. This substantively means any approval of the reorganization proposals will bypass standard protest proceedings and directly proceed to a confirmation election of registered voters. The Commission also proceeded to establish an Advisory Committee to directly advise LAFCO staff in real-time during 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 Olivenhain MWD's Kim Thorner on behalf of the Special Districts Advisory Committee.

## DISCUSSION

This agenda item is for Committee to receive an update on the current administrative reviews on the Fallbrook and Rainbow reorganization proposals. This includes activities undertaken to date by the 10-member Ad Hoc Committee and their recent focus on developing a list of topics meriting special consideration given unique factors underlying the proposals. The resulting list of topics agreed to by the Ad Hoc Committee meriting special 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.

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](http://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 others it believes warrant attention by the Ad Hoc Committee and/or LAFCO staff. Feedback will be incorporated into the administrative reviews and assist the Committee’s representative (Thorner) on the Ad Hoc Committee 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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