



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

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AGENDA REPORT
 Business | Discussion

October 5, 2020

TO: Commissioners

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

**SUBJECT: Ad Hoc Committee Update |
 Proposed Rainbow Municipal Water District and Fallbrook Public Utility District
 Reorganizations to Detach from the San Diego County Water Authority and
 Annex to Eastern Municipal Water District (RO20-04 and RO20-05)**

SUMMARY

The San Diego County Local Agency Formation Commission (LAFCO) will receive an update on the Ad Hoc Committee and its task to assist staff in the administrative reviews of the Rainbow Municipal Water District (MWD) and Fallbrook Public Utility District (PUD) reorganization proposals to detach from the San Diego County Water Authority. This includes items discussed at the Committee’s most recent meeting held on August 3rd as well as associated activities. The item is for discussion with the opportunity for related direction.

BACKGROUND

Proposal Filings and Related Actions

San Diego 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 MWD. 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 County Water Authority formally responded to the filings by requesting and receiving

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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 and directly proceed to election.

Creation of an Ad Hoc Committee

San Diego LAFCO established a 10-member Ad Hoc Committee in June 2020 to directly advise in the proposals' administrative reviews with respect to statutory factors as well as local considerations given associated complexities and controversies. Members from all four subject agencies (Rainbow MWD, Fallbrook PUD, Eastern MWD, and County Water Authority) are on the Ad Hoc Committee with other at-large agency representatives. This latter category includes Lydia Romero (Lemon Grove) and Kimberly Thorner (Olivenhain MWD) on behalf of the Cities and Special Districts Advisory Committees. The Commission also directed staff to provide regular updates on the work of the Ad Hoc Committee going forward.

DISCUSSION

This agenda item is for San Diego LAFCO to receive its scheduled update on the current work of the Ad Hoc Committee formed to assist staff in the administrative reviews for the Rainbow MWD and Fallbrook PUD reorganization proposals. The Ad Hoc Committee met most recently on August 3, 2020 and received statuses on both proposals as well as presentations on LAFCO's responsibilities and/or powers in complying with the California Environmental Quality Act and conditioning approvals. The Committee also – pertinently – proceeded to discuss topics meriting detailed consideration given the scope and scale of the proposed reorganizations. The resulting list of topics approved by the Ad Hoc Committee for detailed review follows.

1. Water Supply Reliability

Are the wholesale supplies between the San Diego County Water Authority and Eastern MWD substantially different in terms of source, availability, and quality.

2. Ratepayer Impacts

What are the expected rate savings to Rainbow MWD and Fallbrook PUD should LAFCO approve the reorganization proposals as well as the potential rate increases for the remaining 22 member agencies of the County Water Authority.

3. Departure Fees

Are departure fees needed and/or merited in the form of LAFCO approval conditions to make the San Diego County Water Authority reasonably whole should Fallbrook PUD and/or Rainbow MWD 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). As of date, the subject agencies are currently utilizing the striking system and staff anticipates selection of the consultant(s) in the next two weeks.

Separately, the deadline for affected agencies to provide written comments on the proposed reorganizations as part of the administrative reviews passed on September 18, 2020. Several comment letters were received from affected agencies and have been forwarded to the Ad Hoc Committee. Most of the comments received – notably – are from other members agencies of the County Water Authority and request LAFCO diligently assess potential rate impacts on these members should one or both proposals proceed. Additionally, all four subject agencies also submitted additional comments for the record. Digital copies of all comments received as part of the administrative review as well as the application materials themselves are available online at www.sdlafco.org.

ANALYSIS

The reorganization proposal filings by Rainbow MWD and Fallbrook PUD to detach from the San Diego County Water Authority and annex to Eastern MWD 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 next meeting of the Ad Hoc Committee is tentatively planned for November 2nd and expected to include a status from the selected consultant(s) on their current review on the requested topics.

RECOMMENDATION

This item is presented to San Diego LAFCO for discussion only.

ALTERNATIVES FOR ACTION

No action; 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 are suggested.

- 1) Receive verbal presentation from staff unless waived.
- 2) Invite comments from interested audience members (voluntary).
- 3) Discuss item and provide any feedback as appropriate.

Respectfully,



Keene Simonds
Executive Officer

Attachments: none

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