



San Diego County Local Agency Formation Commission

Regional Service Planning | Subdivision of the State of California

SPECIAL MEETING SPECIAL DISTRICTS ADVISORY COMMITTEE

FINAL AMENDED AGENDA

Friday, September 17, 2021

VIDEOCONFERENCE ATTENDANCE ONLY

9:30 A.M to 11:00 A.M.

Chair Kimberly Thorner

Vice Chair Jack Bebee

Jack Bebee Fallbrook PUD	Tom Kennedy Rainbow MWD	Marty Miller Vista ID	Oliver Smith Valley Center MWD
Paul Bushee Leucadia WWD	Sheryl Landrum RCD of Greater SD	Mark Robak Otay WD	Robert Thomas Pomerado CD
Fred Cox Rancho Santa Fe FPD	Albert Lau Santa Fe ID	Joel Scalzitti Helix WD	Kimberly Thorner Olivenhain MWD
James Gordon Deer Springs FPD	Hector Martinez South Bay ID	Mike Sims Bonita-Sunnyside FPD	John van Doorn North County FPD

Consistent with the Governor's Executive Order N-29-20, the September 17, 2021 meeting will occur remotely through videoconferencing. The public may watch the meeting live using the link on our website home page (www.sdlafco.org).

The public may submit comments remotely and/or register to speak by:

1. Submitting an eComment at www.sdlafco.org prior to 4:00 P.M. on Thursday, September 16, 2021
 - These comments will be distributed and posted online ahead of the meeting
 - This includes the option to request a call-in to directly comment during the meeting
2. Emailing erica.blom@sdcounty.ca.gov during the meeting on Friday, September 17, 2021
 - These comments will be read by staff into the record and subject to a three-minute limit

1. 9:30 A.M. – CALL TO ORDER BY CHAIR

2. ROLL CALL BY SECRETARY

3. EXECUTIVE OFFICER REPORT

4. BUSINESS ITEMS

a) Approval of Meeting Minutes for March 19, 2021 (action)

The Committee will consider draft summary minutes prepared for the last meeting held on March 19, 2021. Staff recommends the Committee approve the summary minutes with any changes or clarifications as needed.

b) Update on Adopted Workplan for 2021-2022 (discussion)

The Committee will receive an update on the Commission's adopted workplan for 2021-2022 and status of the 30 calendared projects. This includes focusing on two specific projects expected to take precedence with direct interest to the Committee and involve proceeding forward with a proposed legislative amendment to Government Code Section 56133 and Commission Rule No. 4. The item is being presented for discussion and feedback.

c) Legislative Report from CALAFCO (discussion)

The Committee will receive a presentation from CALAFCO Executive Director Pamela Miller on current and pending legislative activities relating – directly or indirectly – to LAFCOs' regulatory and planning responsibilities. Verbal report only.

d) Draft Municipal Service Review on the Ramona Region (discussion)

The Committee will receive a presentation on the Commission's draft municipal service review on the Ramona region and key conclusions and recommendations relative to LAFCO's growth management interests. The item is being presented for discussion and feedback.

e) 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 (discussion)

The Committee will receive an update on the reorganization proposals and the current work of an appointed 10-member Ad Hoc Committee to assist in the administrative review with specific focus on evaluating supply reliability, water rate impacts, and potential exit fees. The item is being presented for discussion and feedback.

5. PUBLIC COMMENTS

6. COMMITTEE MEMBER ANNOUNCEMENTS

7. ADJOURNMENT

Attest to Posting:

Erica Blom
Committee Secretary

Any person with a disability under the Americans with Disabilities Act (ADA) may receive a copy of the agenda or a copy of all the documents constituting the agenda packet for a meeting upon request. Any person with a disability covered under the ADA may also request a disability-related modification or accommodation, including auxiliary aids or services, in order to participate in a public meeting. Please contact the LAFCO office at least three (3) working days prior to the meeting at 858-614-7755 for any requested arrangements or accommodations.



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

4a

AGENDA REPORT
 Consent | Action

September 17, 2021

TO: Special Districts Advisory Committee
FROM: Ruth Arellano, Executive Assistant
SUBJECT: **Approval of Meeting Minutes for March 19, 2021**

SUMMARY

The Special Districts Advisory Committee will receive action minutes prepared for the last meeting held on Friday, March 19, 2021. The minutes are in draft-form and being presented for formal approval with any corrections identified by the Committee.

BACKGROUND

The Ralph M. Brown Act was enacted in 1953 and establishes standards for the public to attend and participate in meetings of local government bodies. The “Brown Act” requires – and among other items – public agencies to maintain written minutes for qualifying meetings.

DISCUSSION

This item is for the Committee to consider approving action minutes prepared by the Committee Secretary for the March 19, 2021 meeting consistent with the Brown Act.

ANALYSIS

The attached action minutes for the March 19, 2021 meeting accurately reflect the Committee’s deliberations as recorded by the Committee Secretary. A video recording of the meeting has also been posted online at www.sdlafco.org/meetings.

<p>Administration Keene Simonds, Executive Officer 2550 Fifth Avenue, Suite 725 San Diego, California 92103 T 858.614.7755 www.sdlafco.org</p>	<p>Vice Chair Jim Desmond County of San Diego Nora Vargas County of San Diego Joel Anderson, Alt. County of San Diego</p>	<p>Paul McNamara City of Escondido Mary Casillas Salas City of Chula Vista Kristi Becker, Alt. City of Solana Beach</p>	<p>Chris Cate City of San Diego Marni von Wilpert, Alt. City of San Diego</p>	<p>Jo MacKenzie Vista Irrigation Barry Willis Alpine Fire Protection David Drake, Alt. Rincon del Diablo</p>	<p>Chair Andy Vanderlaan General Public Harry Mathis, Alt. General Public</p>
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RECOMMENDATION

It is recommended the Committee approve the draft action minutes prepared for the March 19, 2021 meeting as presented and consistent with Alternative One in the proceeding section.

ALTERNATIVES FOR ACTION

The following alternatives are available to the Committee through a single motion:

Alternative One (recommended):

Approve the draft action minutes prepared for the March 19, 2021 meeting with any desired corrections or clarifications.

Alternative Two:

Continue to the next regular meeting and provide direction to staff as needed.

PROCEDURES

This item has been placed on the Committee's agenda as part of the consent calendar. A successful motion to approve the consent calendar will include taking affirmative action on the staff recommendation as provided unless otherwise specified by the Committee.

Respectfully,



Ruth Arellano
Committee Secretary

Attachment: as stated

DRAFT MINUTES

**SAN DIEGO COUNTY LOCAL AGENCY FORMATION COMMISSION
SPECIAL DISTRICTS ADVISORY COMMITTEE
SPECIAL MEETING
MARCH 19, 2021**

ROLL CALL

Chair Kimberly Thorner called the meeting to order at 9:30 a.m. and then requested a roll call from the Committee Secretary.

Committee Members Present:

Chair Kimberly Thorner (Olivenhain MWD); Jack Bebee (Fallbrook PUD); Paul Bushee (Leucadia WWD); Tom Kennedy (Rainbow MWD); James Gordon (Deer Springs FPD); Fred Cox (Rancho Santa Fe FPD); Joel Scalzitti (Helix WD); Al Lau (Santa Fe Irrigation District); Sheryl Landrum (Resource Conservation District of Greater San Diego County - joined at 9:44 a.m.); Hector Martinez (South Bay ID -joined at 9:36 a.m.); Mark Robak (Otay WD – joined at 9:44 a.m.); Oliver Smith (Valley Center MWD); Mike Sims (Bonita-Sunnyside FPD); and John Van Doorn (North County FPD).

Committee Members Absent:

Marty Miller (Vista Irrigation District); Robert Thomas (Pomerado CD);

The following members of San Diego LAFCO staff were present at roll call: Executive Officer Keene Simonds; Chief Policy Analyst Robert Barry; Local Government Analyst Priscilla Allen; GIS Analyst Dieu Ngu; Commission Clerk Tamaron Lockett; Administrative Assistant Erica Blom and Executive Assistant Ruth Arellano serving as Committee Secretary.

PLEDGE OF ALLEGIANCE

Chair Kim Thorner (Olivenhain MWD) led the Pledge of Allegiance.

EXECUTIVE OFFICER REPORT

Executive Officer Keene Simonds reported the meeting was being live cast on YouTube and Zoom and explained the process for the public to provide comments on the agenda items. Mr. Simonds proceeded to provide an overview of the agenda items.

CONSENT ITEMS

Item No. 4a

Approval of Minutes of December 18, 2020 (Action)

The Committee considered draft summary minutes prepared for the last meeting held on December 18, 2020. Recommend approval.

CONSENT ITEMS CONTINUED...

Item No. 4b

Progress Report on FY2020-2021 Workplan (Information)

The Committee received an update on the 2020-2021 workplan. Information only.

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On motion by Paul Bushee and seconded by Tom Kennedy, the Committee unanimously approved the consent calendar.

BUSINESS ITEMS

Item No. 5a

Review of Draft Workplan and Budget for FY 2021-22 (Discussion)

Item is for the Committee to review San Diego LAFCO's draft workplan and budget for 2021-2022 tentatively approved by the Commission at its March 1, 2020 meeting.

The item was presented by the Executive Officer. There were no registered speakers for the item. There were also no e-mail comments received. General discussion and feedback from the Committee followed.

Item No. 5b

Municipal Service Review on Resource Conservation Districts|

Proceeding with Recommended Addendum and Other Actions (Discussion)

Item is for the Committee to receive an update on San Diego LAFCO's recently completed municipal service review on resource conservation districts (RCDs) and scheduled follow up activities. This includes direction from the Commission to proceed with preparing an addendum to clarify the active service functions and classes of the San Luis Rey RCD and in doing so address the District's standing in providing groundwater management.

The item was presented by Analyst II Linda Heckenkamp and supplemented by comments from a Committee working group (Thorner, Bebee, and Bushee) previously formed to review the status of Upper San Luis Rey RCD's groundwater management activities. Public comments were provided by the following registered speakers: General Manager Amy Reeh with Yuima MWD; President Andy Lyall with Upper San Luis Rey RCD; Legal Counsel Steve Anderson with Pauma Valley Community Services District; and Legal Counsel Jeremy Jungreis with Yuima MWD. An e-mail comment was also received and read into the record from Board Member Heather Conklin with Mission RCD.

Item No. 5c

Current and Pending Proposals (Information)

Item is for the Committee to receive a report identifying current proposals on file with San Diego LAFCO as well as pending submittals. Information only.

BUSINESS ITEMS CONTINUED...

Item No. 5c Continued

The item was presented by Chief Policy Analyst Robert Barry. There were no registered speakers for the item. There were also no e-mail comments received. General discussion and feedback from the Committee followed.

Item No. 5d

LAFCO Website Review (Discussion)

Item is for the Committee to receive a presentation on the current San Diego LAFCO website in terms of content and features and provide input on potential changes. Information only.

Item was cancelled at the request of the Executive Officer given the lateness in the meeting.

6. PUBLIC COMMENTS

None

7. COMMITTEE MEMBER ANNOUNCEMENTS

None

8. ADJOURNMENT TO NEXT REGULAR MEETING

There being no further business to come before the Special Districts Advisory Committee, the meeting was adjourned at 11:06 a.m. to the next scheduled meeting on September 17, 2021.

Attest:

Ruth Arellano
Committee Secretary

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

4b

AGENDA REPORT
 Business | Discussion

September 17, 2021

TO: Special Districts Advisory Committee
FROM: Keene Simonds, Executive Officer
SUBJECT: Update on Adopted Workplan Projects

SUMMARY

The Special Districts Advisory Committee will receive an update on San Diego County Local Agency Formation Commission’s (LAFCO) adopted workplan for 2021-2022. The update is marked by LAFCO commencing work on 12 of the 30 projects in the workplan during the first two months of the fiscal year with two now completed (office move and translation policy) and a third nearing completion (Fallbrook-Rainbow Ad Hoc Committee). Other underway projects expected to take precedence in the near term with direct interest to the Committee involve proceeding forward with a proposed legislative amendment to Government Code Section 56133 and Commission Rule No. 4 and are highlighted as part of this update. The item is for Committee discussion and feedback.

BACKGROUND

2021-2022 Workplan

San Diego LAFCO’s current fiscal year workplan was adopted at a noticed public hearing held in May 2021. The workplan includes 30 projects and divided into two distinct categories – statutory and administrative – along with priority assignments ranging from high to low. The Commission reserves discretion to amend the workplan during the fiscal year to address changes in priorities or resources as well as to continue projects into subsequent fiscal years.

Administration Keene Simonds, Executive Officer 2550 Fifth Avenue, Suite 725 San Diego, California 92103 T 858.614.7755 www.sdlafco.org	Vice Chair Jim Desmond County of San Diego Nora Vargas County of San Diego Joel Anderson, Alt. County of San Diego	Paul McNamara City of Escondido Mary Casillas Salas City of Chula Vista Kristi Becker, Alt. City of Solana Beach	Chris Cate City of San Diego Marni von Wilpert, Alt. City of San Diego	Jo MacKenzie Vista Irrigation Barry Willis Alpine Fire Protection David Drake, Alt. Rincon del Diablo	Chair Andy Vanderlaan General Public Harry Mathis, Alt. General Public
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The Commission has approved one amendment to the workplan to date and summarized in the accompanying footnote.¹

DISCUSSION

This item provides the Committee its quarterly opportunity to review the status of San Diego LAFCO's adopted workplan and provide input on underway and/or pending activities. All workplan projects are detailed in Attachment One in their priority order along with their status. Additional discussion on two highlighted projects staff believes merit specific attention by the Committee as they proceed forward follows and involve amending Government Code Section 561333 and updating the Commission's Rule No. 4.

Highlighted Projects

- No. 5 | Legislative Proposal to Amend Government Code Section 56133(e)
This high priority project involves amending Government Code Section 56133 and its provisions directing cities and special districts to receive LAFCO approval before providing services by contract beyond their boundaries less certain exemptions. This section was made effective in 2001 and chaptered as part of legislation authored by former San Diego LAFCO Commissioner Mike Gotch. Administering the legislation, nonetheless, continues to be challenging. This is headlined by the statute not being explicit in delegating authority to LAFCOs in determining exemption status under subsection (e); resulting in some local agencies to have self-exempted and proceed with otherwise improper extensions. An amendment is accordingly being sought to clarify the exemption allowances in subsection (e) – such as grandfathering eligibility and contracts between two or more public agencies in which the subject services are equal substitutes for services already provided – are determined by LAFCO.

Initial activities on this workplan project began in Fall 2020 and this included forwarding the item for early feedback by the Committee at its December 2020 meeting. At the time, the Committee communicated general support for the amendment with a request to empower the LAFCO Executive Officer to expedite the exemption determination and avoid unnecessary delays. This latter request was incorporated into an updated amendment proposal and subsequently circulated to stakeholders – including other LAFCOs and the California Association of Special Districts – as well as potential authors before work was paused due to other workplan priorities and resource considerations. Staff is now returning to the project with the enlistment of CALAFCO as a co-sponsor and the goal of securing an author for introduction into the 2022 session with the related interest to receive the Committee's support. The proposed amendment is provided as Attachment Two.

¹ At the recommendation of the Executive Officer, the Commission amended the adopted workplan in August 2021 to split the Oceanside-Carlsbad Regional Municipal Service Review and in doing so allow for separate studies on the Oceanside and Carlsbad subregions. A corresponding amendment was also made to remove and defer the Encinitas Regional Municipal Service Review.

- No. 6 | Comprehensive Update to Commission Rule No. 4

This high priority project involves updating the Commission’s Rule No. 4 and its provisions to guide LAFCO in overseeing special districts’ service functions and classes consistent with statute. This policy was established in 1975 in step with legislation tasking LAFCOs to begin categorizing the type (function) and range (class) of services provided by special districts. The policy was marked by the creation of a formal matrix that was intended to capture and organize all major special district service functions and their associated classes. The policy was expanded in 2001 and again in 2008 to reflect additional statutory directions to include LAFCOs new directive to regulate special districts’ service functions and classes with respect to activations and divestures while also syncing into the municipal service review process. Implementing the expanded policy has proven increasingly difficult and illuminated in recent municipal reviews where current special district service activities have evolved and not readily and/or notionally addressed in the service function/class matrix. Prime examples of the latter consideration include recycled water, resource conservation, and groundwater management.

Initial activities on this workplan project began in Spring 2020 and this included forwarding the item to the Committee at its June 2020 meeting. The Committee communicated its interest in participating in the policy update and requested LAFCOs staff provide a full presentation on the draft update in the future. Interest was also expressed for the Committee to create a working group to provide real-time input to staff as the update proceeded forward. Work on the project was subsequently paused at the end of 2020 due to other workplan priorities and resource considerations. Staff is now returning to the project with the tentative goal of producing a complete draft update to the Committee at its December 2021 meeting with interest to receive the Committee’s support. A copy of Rule No. 4 is provided as Attachment Three.

ANALYSIS

San Diego LAFCO is generally proceeding as planned through the first two months of the fiscal year with two high-priority projects already completed. This involves a scheduled office move out of the County of San Diego’s Operations Center and establishing a policy on translation protocols and related accommodations. LAFCO is also nearing completion of a third high-priority project with the work of the Fallbrook-Rainbow Ad Hoc Committee approaching its conclusion and further detailed as part of a separate agenda item scheduled for today’s meeting. Other projects underway are reflected in Attachment One. This is highlighted by the above-discussed high-priority projects to amend existing law to make explicit LAFCOs determine when local agencies need formal approval to provide outside services and updating Rule No. 4 to better reflect current special district practices.

RECOMMENDATION

This item is presented to the Committee for information only.

ALTERNATIVES FOR ACTION

None.

PROCEDURES FOR CONSIDERATION

This item has been placed on the Committee's agenda for discussion as part of the business calendar. The following procedures apply.

- 1) Receive verbal report from staff.
- 2) Initial questions or request for clarifications.
- 3) Discuss item and provide feedback as requested.

Respectfully,



Keene Simonds
Executive Officer

Attachments:

- 1) 2021-2022 Workplan with Status Notations
- 2) Proposed Amendment to Government Code Section 56133
- 3) Commission Rule No. 4



San Diego County Local Agency Formation Commission

Subdivision of the State of California | Regional Service Planning

2021-2022 Workplan

Introduction:

Local Agency Formation Commissions' (LAFCOs) operate under the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2001 ("CKH") and are delegated regulatory and planning responsibilities by the Legislature to oversee the formation and subsequent development of local government agencies and their municipal service areas. Common regulatory functions include approving jurisdictional changes (annexations, detachments, etc.) and outside service requests. Common planning functions include preparing studies to independently evaluate the availability, performance, and need for municipal services and establishing and updating spheres of influence – which are the Legislature's version of urban growth boundaries and gatekeepers to future jurisdictional changes – for all cities and special districts. All regulatory and planning activities undertaken by LAFCOs may be conditioned and must be consistent with policies and procedures.

Objective:

This document represents San Diego LAFCO's ("Commission") formal 2021-2022 Workplan. The Workplan is divided into two distinct categories – statutory and administrative – with sequential priority rankings from high to low. The underlying intent of the Workplan is to serve as a management tool to allocate Commission resources in a transparent manner over the 12-month period. Further, while it is a stand-alone document, the Workplan should be reviewed in relationship to the adopted operating budget given the planned goals and activities are facilitated and or limited accordingly. Additionally, and as needed, the Commission reserves discretion to amend the Workplan during the fiscal year.

Executive Summary:

The 2021-2022 Workplan continues to guide the Commission to prioritize resources in addressing statutory duties and responsibilities and supplemented by administrative activities. The Workplan includes continuing work on existing projects established – but not yet completed – from earlier fiscal years and marked by completing municipal service reviews in north and coastal communities. Several new projects are also included in the Workplan and highlighted by sponsoring and/or otherwise facilitating amendments to existing statutes to clarify LAFCOs' responsibilities in authorizing outside service extensions as well as to streamline and modernize the principal act for resource conservation districts. Other new projects include policy reviews on environmental justice and city island annexations.

Priority	Level	Type	Project	Description	Status
Ongoing	...	Statutory	Applicant Proposals and Requests	LAFCO will prioritize on an ongoing basis its available resources to process applicant proposals	
Ongoing	...	Administrative	Targeted LAFCO Presentations	LAFCO will prioritize on an ongoing basis its resources to perform public outreach	
1	High	Statutory	MSR Fallbrook-Rainbow Region	Complete the scheduled review of Fallbrook PUD, Rainbow MWD, CSA 81, & North County FPD	Underway
2	High	Administrative	Fallbrook-Rainbow Ad Hoc Committee	Complete the work of the Ad Hoc in assisting in the administrative review of the associated reorganization proposals	Near Completion
3	High	Administrative	Office Space Needs	Review office space needs and proceed with executing new office lease and related actions as needed	Completed
4	High	Statutory	MSR Escondido Region Part II	Complete the scheduled review of the City of Escondido	Underway
5	High	Administrative	Legislative Proposal G.C. 56133(e)	Sponsor and/or facilitate an amendment to clarify LAFCOs' responsibility in exempting outside service agreements	Underway
6	High	Statutory	Commission Rule No. 4	Complete a comprehensive update to Rule No. 4 and its provisions to regulate special districts' functions and classes	Pending
7	High	Statutory	MSR Oceanside Region	Complete scheduled reviews of the City of Oceanside local serving special districts	Underway
8	High	Statutory	MSR Carlsbad Region	Complete scheduled reviews of the City of Carlsbad and local serving special districts	Underway
9	High	Administrative	Translation Policy	Establish procedures and related accommodations to communicate with non-English speaking communities	Completed
10	High	Statutory	Environmental Justice Policy	Consider policy options to address environmental justice in regulatory and planning activities	Pending
11	High-Moderate	Administrative	2020-2021 Audit	Complete outside audit of financial statements for 2020-2021	Pending
12	High-Moderate	Statutory	2022-2023 Workplan and Budget	Adopt proposed and final workplan and budgets documents by March and May 2022	Pending
13	High-Moderate	Statutory	MSR San Marcos Region	Complete the scheduled reviews of the City of San Marcos and surrounding local serving special districts	Underway
14	High-Moderate	Statutory	MSR Vista Region	Complete the scheduled reviews of the City of Vista and surrounding local serving special districts	Underway
15	High-Moderate	Administrative	Special Districts Advisory Committee	Provide administrative support to the Special Districts Advisory Committee and hold no less than three meetings in FY	Pending
16	High-Moderate	Administrative	Cities Advisory Committee	Provide administrative support to the Cities Advisory Committee and hold no less than two meetings in FY	Pending
17	Moderate	Administrative	RCD Ad Hoc Committee	Coordinate work of the Ad Hoc Committee in implementing recommendations included in the final MSR on RCDs	Pending
18	Moderate	Administrative	Legislative Proposal RCDs	Facilitate and/or participate in a comprehensive rewrite of RCD law and – among other priorities – clarify service function powers	Pending
19	Moderate	Statutory	Policy Review Island Annexations	Consider options to define “substantially surrounded” and provide related mapping to inform review	Pending
20	Moderate	Administrative	SALT Grant Agricultural Trends	Implement two-year grant project to identify and track agricultural trends in San Diego County	Underway
21	Moderate-Low	Statutory	MSR Pauma Valley Region	Complete the scheduled review of local serving special districts in the Pauma Valley region	Underway
22	Moderate-Low	Statutory	Report on Mutual Water Companies	Prepare informational report on private mutual water companies consistent with AB 54	Pending
23	Moderate-Low	Administrative	Social Media	Establish internal guidelines manual in conjunction with expanding social media presence in communicating information	Pending
24	Moderate-Low	Administrative	SANDAG	Participate in SANDAG's Technical Working Group (TWG) and provide update to Commission	Pending
25	Moderate-Low	Administrative	Application Procedures	Streamline existing application packet to be more user-friendly	Pending
26	Low	Administrative	Mapping Outside Utility Services	Establish a new GIS layer to identify existing outside wastewater and water services approved by the Commission	Pending
27	Low	Administrative	Website Enhancement SGMA	Add a dedicated page to the LAFCO website addressing SGMA and related GSA activities in San Diego County	Pending
28	Low	Administrative	Website Enhancement Videos	Add video discussions on current LAFCO projects and key duties on the website and cross-connected to social media	Pending
29	Low	Administrative	Annual Local Agency Directory	Update and publish local agency directory building on the inaugural version published in 2021	Pending
30	Low	Administrative	SOI/MSR Annual Report	Update and publish an annual report documenting all recorded municipal service reviews and sphere actions	Pending

**Government Code Section 56133
Proposed Amendment Regarding Exception Determination**

56133.

(a) A city or district may provide new or extended services by contract or agreement outside its jurisdictional boundary only if it first requests and receives written approval from the commission.

(b) The commission may authorize a city or district to provide new or extended services outside its jurisdictional boundary but within its sphere of influence in anticipation of a later change of organization.

(c) If consistent with adopted policy, the commission may authorize a city or district to provide new or extended services outside its jurisdictional boundary and outside its sphere of influence to respond to an existing or impending threat to the health or safety of the public or the residents of the affected territory, if both of the following requirements are met:

(1) The entity applying for approval has provided the commission with documentation of a threat to the health and safety of the public or the affected residents.

(2) The commission has notified any alternate service provider, including any water corporation as defined in Section 241 of the Public Utilities Code, that has filed a map and a statement of its service capabilities with the commission.

(d) The executive officer, within 30 days of receipt of a request for approval by a city or district to extend services outside its jurisdictional boundary, shall determine whether the request is complete and acceptable for filing or whether the request is incomplete. If a request is determined not to be complete, the executive officer shall immediately transmit that determination to the requester, specifying those parts of the request that are incomplete and the manner in which they can be made complete. When the request is deemed complete, the executive officer shall place the request on the agenda of the next commission meeting for which adequate notice can be given but not more than 90 days from the date that the request is deemed complete, unless the commission has delegated approval of requests made pursuant to this section to the executive officer. The commission or executive officer shall approve, disapprove, or approve with conditions the extended services. If the new or extended services are disapproved or approved with conditions, the applicant may request reconsideration, citing the reasons for reconsideration.

(e) This section does not apply to any of the following **as determined by the commission or the executive officer:**

(1) Two or more public agencies where the public service to be provided is an alternative to, or substitute for, public services already being provided by an existing public service provider and where the level of service to be provided is consistent with the level of service contemplated by the existing service provider.

(2) The transfer of nonpotable or nontreated water.

(3) The provision of surplus water to agricultural lands and facilities, including, but not limited to, incidental residential structures, for projects that serve conservation purposes or that directly support agricultural industries. However, prior to extending surplus

water service to any project that will support or induce development, the city or district shall first request and receive written approval from the commission in the affected county.

(4) An extended service that a city or district was providing on or before January 1, 2001.

(5) A local publicly owned electric utility, as defined by Section 9604 of the Public Utilities Code, providing electric services that do not involve the acquisition, construction, or installation of electric distribution facilities by the local publicly owned electric utility, outside of the utility's jurisdictional boundary.

(6) A fire protection contract, as defined in subdivision (a) of Section 56134.

(f) This section applies only to the commission of the county in which the extension of service is proposed.

**RULES
SAN DIEGO
LOCAL AGENCY FORMATION COMMISSION**

**ARTICLE IV
PROVISION OF NEW OR DIFFERENT
SPECIAL DISTRICT SERVICES/FUNCTIONS
(LATENT POWERS)**

- 4.1 Authorization
- 4.2 Definitions
- 4.3 Powers of the Commission
- 4.4 Classification of Functions and Services
- 4.5 Requirements of Special Districts
- 4.6 Commission Determination
- 4.7 Commission Disapproval of Report
- 4.8 Commission Determination of District Functions and/or Services
- 4.9 Restriction of District Functions and/or Services
- 4.10 Provision of Additional Functions and Services
- 4.10a Exception to Requirement for LAFCO Approval of the Provision of Additional Functions and/or Services
- 4.11 Application Materials for Latent Powers
- 4.12 Public Hearing Requirements
- 4.13 Commission Disapproval of Application
- 4.14 Commission Approval
- 4.15 Commission Procedures

4.1 AUTHORIZATION -

As provided in Government Code Section 56821, Chapter 761, Statutes 2000; amended by Chapter 667, Statutes 2001 and applicable predecessor statutes, the Commission adopts this Article as its rules and regulations governing the provision of new or different services/functions (latent powers) of special districts and reaffirms the representation upon the Commission of independent special districts.

4.2 DEFINITIONS -

The following definitions shall apply under this Article:

- 1. "Commission" means the San Diego County Local Agency Formation Commission.
- 2. "District" means an agency of the State as defined by Section 56036 of the Government Code for which the County of San Diego is its principal county as defined by Section 56066 of the Government Code.
- 3. "Executive Officer" means the executive officer appointed by the Commission or the County officer acting as the executive officer.

4. "Function" means any power granted by law to a local agency or a county to provide designated governmental or proprietary services or facilities for the use, benefit, or protection of persons or property (Government Code Section 56040).
5. "Legislative body" means the legislative body or the governing board of a district as defined in this Article.
6. "Proceedings" means proceedings taken pursuant to this Article.
7. "Proposal" means a request or statement of intention made by a resolution of application of a legislative body proposing proceedings for the provision of additional functions or services.
8. "Service" means a class established within a single local agency function including the public facilities necessary to perform the function. The San Diego LAFCO's adopted service classification system adopted per Government Code Section 56074 is applicable to all local agencies for purposes of defining functions and services.

4.3 POWERS OF THE COMMISSION -

The Commission may:

1. Require existing districts to file written reports with the Commission specifying the functions or classes of service provided by such districts (Government Code Section 56425 (h) (1)). Commission proceedings for the exercise of new or different functions or classes or services by special districts may be initiated by a special district by a resolution of application, including all of the matters specified for a petition in Government Code Section 56700, and submitted to the Executive Officer with a plan for services prepared pursuant to Section 56653 (Government Code Sections 56824.10, added by Chapter 667, Statutes 2001; and 56824.12).
2. Identify the nature, location, and extent of any functions or classes of service provided by existing districts (Government Code Section 56425 (h) (2)).
3. Determine that, except as otherwise authorized by such rules and regulations, no new or different function or class of service shall be provided by any existing district (Government Code Section 56824.14). The Commission shall review and approve or disapprove with or without amendments, wholly, partially, or conditionally, proposals for the establishment of new or different functions or class of services within the jurisdictional boundaries of a special district after a public hearing is called and held for that purpose. The expansion of latent powers shall not require a public hearing.
4. Modify (expand, increase, decrease, or eliminate) services or functions within the boundaries of an existing special district if requested by resolution of a special district that is subject to the proposed service or function modification.

These rules and regulations shall not apply to the extension or enlargement, within the boundaries of an existing special district, of any function or service that the Commission, pursuant to this Article has determined is currently being provided by such special district. However, if LAFCO has restricted the geographic area of any special district function or

service as a condition of latent powers activation, then LAFCO retains authorization over any extension, expansion, or enlargement, of such function or service within the boundaries of an existing special district.

4.4 CLASSIFICATION OF FUNCTIONS AND SERVICES -

The following classifications of functions and services are hereby established:

<u>FUNCTION</u>	<u>SERVICES</u>
Water	Wholesale, Retail, Replenishment, Injection
Sewer	Collection, Transportation, Treatment, Reclamation, Disposal
Public Transportation	Land, Sea, Air
Street Lighting	
Power	Generation, Distribution
Gas	Distribution
Cable Television	
Telephone/Communications	
Police	
Fire	Watershed, Structural
Ambulance	
Rescue/Disaster	
Parks and Recreation	Regional Park Development/Maintenance Local Park Development/Maintenance Recreation
Flood Control	
Cemeteries	
Hospitals	
Solid Waste	
Pest Control	
Vector Control	
Libraries	
Weed Abatement	
Planning	
Soil Conservation	
Roads, Streets and Highways	Improvement/Maintenance
Section 4.14 added: 9/16/74	

4.5 REQUIREMENTS OF SPECIAL DISTRICTS -

Upon the adoption of this Article, each special district shall, at the request of the Executive Officer, provide, to the satisfaction of the Commission, the following materials within 30 days of such request:

1. A report of which functions and services are currently being provided by that district;
2. A statement as to the legal provisions regarding the rendering of such functions and services;
3. A map, showing the boundaries of the district and the location(s) where functions and services are provided.

For purposes of these rules and regulations a district shall be deemed to be providing a function or service if bonds have been heretofore authorized therefore, if substantial sums have been expended, if substantial financial obligations have been incurred therefore, if property, facilities or equipment have been acquired or constructed for such purpose, or if the district is actually exercising its powers to provide such function or service for the benefit of lands or inhabitants within the district.

4.6 COMMISSION DETERMINATION -

Following the receipt of such materials from a district as provided for in Section 4.5, the Commission shall determine:

1. To approve with or without amendment, wholly or partially or to disapprove the report on the functions and services currently being provided by the district and the location(s) where such functions or services are being provided;
2. To refer the report back to the district having submitted it and request modification of such report; the Commission shall set a reasonable date for the re-submittal of such modified report.

4.7 COMMISSION DISAPPROVAL OF REPORT -

In the event the Commission disapproves a report on the functions and services, the Commission may make its own study and report on the functions and services being provided by a district; the Commission shall, at the request of the affected district, consider its report at a public hearing prior to making a final determination on same.

4.8 COMMISSION DETERMINATION OF DISTRICT FUNCTIONS AND/OR SERVICES -

By approving the report of a special district as provided in Section 4.5 or by making its own report on the functions and services of a district as provided in Section 4.7, the Commission shall thereby identify the nature, location and extent of the functions or services provided by such a district.

4.9 RESTRICTION OF DISTRICT FUNCTIONS AND/OR SERVICES -

At such time as the Commission has identified the nature, location and extent of the functions and services of any district, such district shall not provide any new or different function or class of service except as authorized by this Article, provided that this rule shall not apply to the extension or enlargement, within the boundaries of an existing special district, of any function or service which the Commission, pursuant to this Article, has determined is currently being provided by such special district. In approving a new or different function or class of service, the San Diego LAFCO may restrict the provision of the new or different function or class of service to a geographically specific area within the district. If the Commission imposes this restriction, any subsequent extension or enlargement of the service area will be subject to LAFCO review.

4.10 PROVISION OF ADDITIONAL FUNCTIONS AND SERVICES -

Any district making a proposal to provide functions and/or service in addition to those identified by the Commission pursuant to this Article shall file with the Executive Officer a resolution of its governing board making application for the provision of additional functions and/or services.

4.10a EXCEPTION TO REQUIREMENT FOR LAFCO APPROVAL OF THE PROVISION OF ADDITIONAL FUNCTIONS AND/OR SERVICES -

A district which is authorized by state law to provide for generation and distribution of electric power is not required to make application to nor obtain authorization from the Commission before providing that function, although the district has not provided that function previously (9/14/81).

4.11 APPLICATION MATERIALS FOR THE PROVISION OF NEW OR DIFFERENT SERVICES/FUNCTIONS (LATENT POWERS) -

A resolution of application shall be in such form as the Commission may prescribe and shall be accompanied by:

1. A statement of the nature of the proposal and the reasons therefore;
2. A legal description of the territory which is the subject of the proposal;
3. A map showing the boundaries of the subject territory;
4. Such additional data and information as may be required by the Executive Officer, pertaining to any of the matters or factors which may be considered by the Commission;
5. The name of the officers or persons, not to exceed three, who are to be given mailed notice of hearing.

4.12 PUBLIC HEARING REQUIREMENTS FOR LATENT POWERS ACTIVATION -

Upon the filing of a resolution of application, the Executive Officer shall set the matter for hearing by the Commission.

1. The date of the hearing shall not be more than 90 days after such filing.
2. The Executive Officer shall cause notice of hearing to be published in a newspaper of general circulation within the area for which the provision of additional functions and/or services are proposed, as specified in Government Code Section 6061 and 56824.14.
3. The Executive Officer shall also cause notice of such hearing to be mailed at least twenty-one (21) days prior to the date of hearing to:
 - (a) the district adopting the resolution of application;
 - (b) each city or district within three miles of the subject district;
 - (c) each person who is designated in the application to receive notice or any person who has filed a written request for special notice with the Executive Officer.
4. Such hearing may be continued from time to time for a period not to exceed 70 days from the original date of such hearing. The conduct of such hearing shall be governed by the provisions of Section 56666 of the Government Code and by the Rules of the Commission. At any time not later than 35 days after the conclusion of the hearing, the Commission shall adopt a resolution making determinations approving or disapproving the provision of the additional functions and/or services by the District.

4.13 COMMISSION DISAPPROVAL OF APPLICATION -

If the Commission wholly disapproves any proposal involving the provision of such additional functions and/or services by the subject district, no proceeding shall be taken for the provision of such additional functions and/or services by the subject district for a period of one year after the date of such disapproval unless said period is waived by the Commission.

4.14 COMMISSION APPROVAL -

If the Commission approves the provision of additional function(s) and/or service(s), the Executive Officer shall, within 30 days of such approval, forward to the subject district a copy of the Commission's resolution.

4.15 COMMISSION PROCEDURES -

The procedures provided by this Article shall be generally guided by the provisions of Chapter 5 (commencing with Section 56821, Chapter 761, Statutes of 2000; amended by Chapter 667, Statutes 2001) of the Government Code.

Adoption History: Article IV, Sections 4.1 to 4.15

Adopted June 30, 1975

Re-affirmed and adopted December 4, 2000

Administratively Revised and Updated May 17, 2005

Administratively Revised and Updated August 7, 2006

Comprehensively Updated and re-adopted March 3, 2008

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

4d

AGENDA REPORT
 Business | Discussion

September 17, 2021

TO: Special Districts Advisory Committee

FROM: Priscilla Allen, Analyst I

SUBJECT: **Draft Municipal Service Review on the Ramona Region**

SUMMARY

The Special Districts Advisory Committee will review San Diego County Local Agency Formation Commission’s (LAFCO) draft municipal service review on the Ramona region. The draft independently assesses the availability of key public services provided in the region and specifically by the principal local government subject to LAFCO oversight – Ramona Municipal Water District (MWD). The draft also considers options and merits of organizational alternatives in the region consistent with statute. The presentation provides the Committee the opportunity to discuss and provide feedback on the content and conclusions in the draft and ahead of staff preparing a final document for formal action by the Commission as early as its October 4, 2021 meeting.

BACKGROUND

Municipal Service Review Directive

State law directs San Diego LAFCO to regularly prepare municipal service reviews in conjunction with updating each local agency’s sphere of influence. The legislative intent of the municipal service review and its five-year cycle requirement is to proactively inform the Commission regarding the availability and sufficiency of governmental services relative to current and future community needs. Municipal service reviews statutorily inform required

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sphere of influence updates and may also lead the Commission to take other actions under its authority, such as forming, consolidating, or dissolving one or more special districts. These documents also serve as an opportunity for the Commission to telegraph and encourage community discussion and/or action on future jurisdictional changes.

DISCUSSION

This item is for the Committee to receive a presentation on San Diego LAFCO's draft municipal service review the Ramona region. The draft was presented to the Commission for preliminary discussion at its August 2, 2021 meeting with direction to proceed with a formal public review and comment period. The presentation will include a summary of key conclusions and recommendations in the draft for Committee review and discussion. Feedback will aid staff in proceeding forward with preparing a final document for future action by the Commission as early as its October 4, 2021 meeting.

The full draft report is available online at the LAFCO website, www.sdlafco.org.

ANALYSIS

See Attachment One.

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 verbal presentation from staff followed by discussion from the Committee.

Respectfully,



Priscilla Allen
Analyst I

Attachment:

- 1) Summary Brochure on Draft Ramona MSR



Municipal Water District RAMONA REGION

DRAFT

REPORT SUMMARY | August 2021



Central Themes and Conclusions

The Ramona region represents one of the largest and growing unincorporated communities in San Diego County with a current estimated population of 37,708 – an amount that exceeds 5 of the 18 cities. The region’s status as a prominent unincorporated area dates to the 1840s and the arrival of community patriarchs Joaquin Ortega and Adolpho Stokes and the subsequent establishment of a stagecoach stop and adjoining general store to accommodate travelers going to and from the goldmines to the east in Julian. The region began transitioning to a stand-alone destination at the turn of the century and marked by outside investments and ensuing subdivisions recorded by the Santa Maria Land and Water Company. This transition was headlined by the official naming of the community as “Ramona” with the permanent population reaching approximately 1,000 by 1900 – which at the time made Ramona the largest unincorporated area in all of San Diego County.

The County of San Diego remained the lone source of local government for the Ramona region through the start of the new century until the formation of the Ramona Irrigation District (1925) and its construction of the first community water system. Markedly, the formation of the Ramona Irrigation District paralleled initial community discussions on incorporation and subsequently supplemented by additional special district formations to expand the scope of local government in the region to include the Ramona Fire Protection District (1946), Ramona Sanitation District (1946), Ramona MWD (1958), and Mt. Woodson Ranch Sanitation District (1988). Ramona MWD’s proved most consequential, and through a combination of latent power activations and consolidations it has emerged as the singular provider of potable water, wastewater, fire protection and emergency medical, parks and recreation, and recycled water in the region.



Beautiful
Lake Ramona
in San Diego

Today the Ramona region serves as a unique community separator in San Diego County with urban uses to the west and non-urban uses to the east. Ramona itself remains largely rural with the notable exception of the central “village” area located along Main Street, which increasingly includes several financial, retail, and restaurant franchises and serves as the region’s social and economic hub.

A review of the Ramona region relative to San Diego LAFCO’s growth management tasks and interests as prescribed under statute produces eight central themes or conclusions. These conclusions focus – albeit not exclusively – on the availability, need, and adequacy of municipal services by Ramona MWD as the central service provider in the region. The conclusions are independently drawn and largely sourced to information collected and analyzed by the Commission between 2015 and 2019 and further detailed in the agency profile (Chapter Three).

Ramona MWD has emerged as the central municipal service provider in the region and its core activities – specifically water, wastewater, fire protection – and adequacies therein are essential in supporting current and future growth.

1 Evolving Community Character

Ramona’s community character continues to evolve and most notably towards a more traditional suburb setting with urban-type landscapes. This transition is reflected in the relatively high population growth rate in the region over the report period at 1.1% annually, which is more than one-fifth above the countywide average. The population is also increasingly more affluent than past generations with the average median household income equaling \$92,543 at the end of the five-year report. This median income is more than two-fifths above the corresponding rate for all of San Diego County and – and among other factors – aided by the 17% increase in four-year college graduates over the 60-month period.



2 Expanded and Centralized Role of Ramona MWD

Ramona’s evolving community character towards more traditional suburban uses has relatedly generated additional demands and expectations on local government in the region. Ramona MWD has affirmatively responded to these changes over its 60-year plus history and through a combination of consolidations and latent power expansions evolved into a multi-purpose agency and now the centralized provider of water, wastewater, fire protection and emergency medical, parks and recreation, and recycled water in the region. Further expansions – however and irrespective of any merit – is limited under the principal act.

3 Adequate Service Capacities at MWD with One Notable Exception

As the principal municipal service provider in the region, Ramona MWD has developed adequate infrastructure capacities and related administrative controls to meet current and projected demands in the timeframe of this report with one exception. This exception involves meeting wastewater demands within the Santa Maria service area, which covers central Ramona and now regularly exceeds capacities during high-rain periods due to excessive inflow (surface) and/or infiltration (groundwater) intrusion.

4 Need for Capital Improvement Investments within MWD

Notwithstanding the overall adequacy of current municipal service capacities, Ramona MWD would benefit from additional investment into its capital assets with specific focus on remedying the increasing and varying pipeline ages involving both its water and wastewater systems. Capital planning and investment in parks and recreation is also merited and includes addressing improvements to the Wellfield Park and its Community Center and Rodeo Arena.

5 MWD’s Positive Financial Standing

Ramona MWD improved its financial standing during the report period as measured by its audited net position with an overall 12% increase from \$86 to \$105 million. This improvement largely ties to Ramona MWD achieving an average annual bottom line – or total margin – and contributes to an ending unrestricted fund balance sufficient to meet 18 months of operating expenses. Ramona MWD also finished the period with a relatively well-funded employee pension program with a composite funded ratio of 80 percent.

6 Advancing Regional Fire Protection Services

Existing fire protection and emergency medical service in the Ramona region are equally divided between two special districts: Ramona MWD and San Diego County FPD. Both special districts choose to contract with CALFIRE for day-to-day field operations. This common arrangement – notably – suggest consolidating fire protection responsibilities under the San Diego County FPD’s economies of scale would advantageously sync and enhance service levels while providing local control.

8 The Clearer Case for a Community Services District

Irrespective of the preceding topic on incorporation, the Ramona region has already established itself as an economic and socially distinct community in San Diego County. Ramona MWD has evolved accordingly and expanded its service functions to meet the community’s needs and now operating at the authority limits under the MWD principal act. Reorganization into a community services district (CSD) appears meritorious in providing the region with a local governance model that can provide a complete range of municipal services with LAFCO approval with the lone exception of direct land use control. Reorganizing into CSD – markedly – would also serve as the preferred governance step towards a potential transition into an incorporated community.

7 The Curious Case of Incorporation

There has been reoccurring interest in the Ramona region to incorporate and transition local governance from the County of San Diego Board of Supervisors to a newly established city council. Most recently, incorporation proponents approached LAFCO with pre-application submittals as required under policy in 1982 and 2005 before choosing not to proceed with official filings. It is nonetheless reasonable to assume future interest in incorporation will reemerge within Ramona given its size and local resources – including a combination of both property and sales taxes. Accordingly, it would be beneficial for LAFCO to prepare an informational report to advise on current statutory thresholds and associated incorporation opportunities in San Diego County to include – but not limited to – Ramona.

The Ramona region is one of the largest unincorporated areas in San Diego County with an estimated resident population of 37,708.



A dirt trail leading up to a hilltop lined with boulders at Ramona Grasslands Preserve in San Diego



Recommendations

The following recommendations call for specific actions either from San Diego LAFCO and/or other local government agencies based on information generated in 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 through the adopted work plan.

- 1. The Commission should coordinate with SANDAG to identify current buildout estimates relative to existing zoning standards by the County of San Diego for the Ramona region and incorporate the information into the next municipal service review.
- 2. The Commission should perform additional analysis with respect to water, wastewater, and fire protection needs for adjacent lands to the Ramona region that qualify as disadvantaged unincorporated communities and incorporate accordingly into future service reviews.
- 3. Ramona MWD should address excessive inflow and infiltration issues within its Santa Maria wastewater collection system in order to reduce system peaking factor and the elevated threat of raw sewage spills and/or related impacts to the environment.
- 4. Ramona MWD should develop a facility improvement plan to guide its parks and recreation function and engage constituents in doing so in setting long-term service goals and amenities.
- 5. The Commission should defer its statutory task to address service levels and related needs of the lone mutual water company in the Ramona region – Rancho Santa Teresa – to a scheduled information report as part of the 2021–2022 workplan.
- 6. Ramona MWD should revisit and update its potable water service rates accordingly to remedy a sizeable structural deficit of nearly nine-fold generated during the five-year report period.

Main Street
in Ramona,
California



7. Ramona MWD should expand its existing community outreach efforts by establishing social media uses and live-streaming meetings to affirmatively add to existing efforts in spotlighting its activities and further facilitate opportunities for community input.
8. Ramona MWD should consider the following actions with respect to improving current fire protection and emergency medical services:
 - Ramona MWD should consider adopting response time standards with desired time dependent benchmarks and making these parts of the contract language with CAL FIRE.
 - Ramona MWD should develop a vegetation management plan to mitigate the wildfire risk to the community. Similarly, a comprehensive review of community disaster risk should be completed and submitted to the County Office of Emergency Services for review and inclusion in the County's Multi-Jurisdictional Hazard Mitigation Plan.
9. Ramona MWD and San Diego County FPD should consider a voluntary consolidation under the FPD's greater economies of scale to sync and enhance service levels for the common benefit of the Ramona region and need to vigilantly protect against wildfires.
10. The Commission should address and reconcile Ramona MWD's recycled water service activity as part of a future update to Rule No. 4 with respect to formally identifying the function, class, and authorized location under statute.
11. The Commission should prepare a future informational report to advise on current statutory thresholds and associated incorporation opportunities in San Diego County to include – but not limited to – the Ramona region as the one of the largest unincorporated communities.
12. Reorganization of Ramona MWD into a community services district merits exploration in providing the Ramona region a local governance model that can continue to evolve with the community needs and – pertinently – serves as the preferred transitional vehicle to a potential future incorporation should circumstances warrant.
13. There appears to be sufficient merit to immediately proceed with a limited update and expansion to Ramona MWD's sphere of influence and add approximately 30 unincorporated acres lying immediately outside the current designation along Dos Picos Park Road.
14. Additional amendments to the Ramona MWD sphere of influence may also be warranted subject to a more comprehensive update as part of the next scheduled study.



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4e

AGENDA REPORT
 Business | Discussion

September 17, 2021

TO: Special Districts Advisory Committee

FROM: Keene Simonds, Executive Officer
 Adam Wilson, Consultant

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

SUMMARY

The Special Districts Advisory Committee will receive an update on San Diego County Local Agency Formation Commission’s (LAFCO) administrative reviews on the reorganization proposals filed by Rainbow Municipal Water District (MWD) and Fallbrook Public Utility District (PUD) to change water wholesalers from the County Water Authority to Eastern MWD. This includes addressing the status of a 10-member Ad Hoc Committee tasked with advising on key aspects of the proposals and headlined by vetting reliability of water supplies and rate impacts. The item is being presented to the Committee for discussion and feedback.

BACKGROUND

Proposal Filings

In March 2020, San Diego LAFCO San Diego LAFCO received separate reorganization proposals from Fallbrook PUD and Rainbow MWD to concurrently (a) detach from the County Water Authority and (b) annex to Eastern MWD. The stated purpose of the coordinated reorganizations is to achieve cost-savings for the applicants and their constituents by securing less expensive wholesale water supplies.

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County Water Authority Response

The County Water Authority responded to the reorganization filings made by Fallbrook PUD and Rainbow MWD in April 2020 by requesting San Diego LAFCO only approve the requested actions if all the following factors are addressed:

- It can be determined Fallbrook PUD and Rainbow MWD can guarantee all obligations as promised to their own ratepayers are met.
- It can be demonstrated the reorganizations will not adversely affect other County Water Authority member agencies and San Diego County as a region.
- It can be demonstrated the reorganizations will not increase reliance on the Delta.
- It can be demonstrated the reorganizations will not diminish the County Water Authority's voting power at the Metropolitan Water District of Southern California.

The County Water Authority also requested any proposal approvals be subject to an expanded confirmation vote to include the electorate within all 24 member agencies.

Establishing Ad Hoc Committee

San Diego LAFCO created an Advisory Committee in June 2020 to directly advise LAFCO staff in real-time during the administrative reviews with respect vetting key issues unique to both reorganization proposals. All four subject agencies (Fallbrook, Rainbow, Eastern, and County Water Authority) are represented on the Ad Hoc Committee as well as other at-large agency representatives, including Kim Thorner on behalf of the Special Districts Advisory Committee.

DISCUSSION

This agenda item is for Committee to receive an update on the administrative reviews underway by San Diego LAFCO and the Ad Hoc Committee on the Fallbrook PUD and Rainbow MWD reorganization proposals. An outlining of key activities follows and further detailed as part of the staff presentation.

- The Ad Hoc Committee agrees to focus its review on three topics: (a) reliability of supplies between the two wholesale providers and whether there are any substantive differences; (b) potential rate impacts to the subject agencies should one or both reorganizations proceed; and (c) the merit and amount of potential departure fees as approval conditions should one or both reorganizations proceed.
- The Ad Hoc Committee establishes criteria for the recruitment and selection of one or more consultants to evaluate the three topics prioritized by the Committee. This includes allowing the subject agencies to strike any consultant identified by LAFCO.

- Consistent with the criteria set by the Ad Hoc Committee, Arizona State University Professor Michael Hanemann is retained by the Executive Officer in November 2020 to evaluate and make recommendations on the three referenced topics.
- Between December 2020 and August 2021, the Ad Hoc Committee holds five noticed meetings to receive updates from Professor Hanemann as he proceeds with his analysis of the three referenced topics. Most recently at the August 2021 meeting, Professor Hanemann presents draft conclusions on the first two topics – supply reliability and rate impacts – ahead of finalizing in September. A copy of Professor Hanemann’s presentation from August 2021 is provided as Attachment One.

ANALYSIS

The reorganization proposals filed with San Diego LAFCO by Fallbrook PUD and Rainbow MWD engenders unique and multi-layered policy considerations with interests that span beyond just the four subject agencies. It is presently anticipated the Ad Hoc Committee will complete its work by November 2021 and LAFCO staff will complete the administrative reviews and schedule the reorganization proposals for public hearings as early as February 2022.¹ With these considerations in mind, this item provides the Committee an opportunity to provide feedback on the work of the Ad Hoc Committee and associated administrative reviews before their approaching completion.

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

Attachment:

- 1) Professor Hanemann’s August 16, 2021 Presentation to Ad Hoc Committee

¹ The timing to schedule public hearings at the Commission level is premised on LAFCO staff’s related expectation of completing its separately scheduled municipal service review on the Fallbrook-Rainbow region by February 2022.

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Report to Ad Hoc Advisory
Committee Meeting: August 16, 2021
Michael Hanemann

Topics for today

- The context – whose water?
- The London Moeder Benefit Cost Analysis
- Water supply reliability for FPUD and RMWD as customers of EMWD
- Delta reliance impact
- Exit fee
- Next steps

The material being presented today is still a work in progress and should be treated as a draft.

- All comments and suggestions are welcomed.

The form of my report

- Rather than three separate documents covering each of the three issues assigned to me – impact on water supply reliability, rate impact, and exit fee – my report will take the form of a single integrated document.
- Part of the report text will be in a Question-Answer format that will be used in some of today's presentation.
- I will have a draft of the document to present in September, with all revisions to be completed for October.

Setting the context

Q. Isn't it the case that, if FPUD and RMWD exit from SDCWA, they still would end up receiving the same MWD water from turnouts on the same MWD pipes? Nothing would really change?

A. No – that is not the case.

To some degree, FPUD and RMWD would be receiving water from turnouts on the same pipes, but not completely.

More importantly, FPUD and RMWD would NOT be receiving the same water.

Q. Why will it not be completely the same pipes?

A. It will not be completely the same pipes because, while FPUD and RMWD receive some of their SDCWA-billed water from turnouts along pipes owned by MWD, they also receive other water from turnouts along pipes owned by SDCWA.

Over the period 2015-2019, 35% of the water received by FPUD came through turnouts on pipes owned by SDCWA; for RMWD, 76% of the water received came through turnouts on pipes owned by SDCWA.

If FPUD and RMWD depart from SDCWA, 100% of their water would have to come from turnouts on the MWD pipes.

Q. Why will it not be the same water?

A. It will be water belonging to MWD and supplied by MWD rather than water belonging to SDCWA and supplied to FPUD and RMWD by SDCWA.

Q. How is water supplied by MWD different from water supplied by SDCWA?

A. It is different in source, it is different in supply reliability, it is different in pricing, and it is different in Delta reliance.

Q. How is MWD water physically delivered by MWD to FPUD and RMWD different in source from SDCWA water physically delivered by MWD to FPUD and RMWD?

A. SDCWA, as an MWD member agency, purchases water from MWD. But this is supplemental water. SDCWA's base water supply – water that it owns directly – consists of Canal Lining water and IID Transfer water, from the Colorado River, and desalinated water from the Carlsbad Facility.

MWD base supply – water that it owns directly -- is water obtained under its right to Colorado River, water from the Colorado River purchased from IID, and water from the State Water Project obtained by MWD as a member agency of the SWP.

Q. Isn't it true that MWD currently delivers to SDCWA some water from the SWP?

A. It is more complicated than that. MWD delivers molecules of SWP water to SDCWA in *two distinct capacities*.

MWD delivers water to SDCWA as a *supplier* of water. MWD also delivers water as a *conveyor* (wheeler) of water.

Q. What is the difference between MWD's role as a supplier of water versus its role as a conveyor of water?

A. As a supplier of water, MWD is both selling the water and transporting the water to SDCWA. MWD owns the water supplied and it owns the conveyance facility. It charges for both the water supplied and for the conveyance.

As a conveyor of water, MWD is just transporting water which it does not itself own – the water is owned by SDCWA – and it is charging just for conveyance of SDCWA-owned water.

Q. To repeat: isn't it true that MWD currently delivers to SDCWA some water from the SWP?

A. When MWD delivers water to SDCWA in its role as a supplier of water, some of the MWD supply is SWP water.

When MWD delivers water to SDCWA in its role as a conveyor of water, the water being conveyed is legally not SWP water: it is Colorado River water owned by SDCWA.

But, when MWD is delivering water to SDCWA in its role as a conveyor of water, it sometimes substitutes SWP water as a *replacement* for SDCWA's Colorado River water. This is known as in-lieu water.

The substitution is being made for operational convenience. It does not change the fact that whatever water MWD delivers as a conveyor to MWD is owned by SDCWA, not by MWD; it counts as Colorado River water, not SWP water; and it comes under SDCWA's water right to Colorado River water, not MWD's water right to Colorado River water nor MWD's right to SWP water.

Q. How much of the water delivered by MWD to SDCWA comes under MWD's water right and is owned by MWD (i.e., MWD acts as a supplier of water), and how much comes under SDCWA's water right and is owned by SDCWA (i.e., MWD acts as a conveyer)?

A. This has varied over time.

Before 2003, 100% of the water delivered by MWD to SDCWA came under MWD's water right.

Starting in 2003, some of the water delivered by MWD to SDCWA came under SDCWA's water right. That portion has grown over time.

Q. Why has the portion of water delivered to SDCWA as a conveyor rather than as a supplier grown since 2003?

A. Because the amount of Colorado River water acquired by SDCWA from the IID transfer and from Canal Lining ramped up over time. The amount of IID transfer water started at 10,000 AF/yr in 2003, grew to 100,000 AF/yr over ten years (2013), reached 193,000 AF/yr in 2020, and will now stay at 200,000 AF/yr through 2047 or beyond.

Over the past three years (FY 2018, FY 2019 and FY 2020), 38% of the water delivered by MWD to SDCWA was delivered by MWD as a supplier and 62% was delivered by MWD as a conveyor.

Comments on the London Moeder Advisors Report (9-15-2020)

Benefits Received by FPUD and RMWD

The LMA report equates the degree to which FPUD and RMWD benefit from their membership in SDCWA with the share of their water supply *not* “received from” MWD.

For example, the report states that, prior to 2020, 85% of FPUD’s water supplies “were received directly from MWD facilities,” the remaining 15% being received from SDCWA facilities. From this, the report infers that FPUD benefits from SDCWA membership only for 15% of its water supply.

LMA makes a parallel argument with respect to RMWD.

This argument is not correct.

- Even if FPUD and RMWD were to receive *all* of their water supply as treated water from MWD's Skinner Water Treatment Plant delivered to them via flow control facilities owned by MWD, all of that water is a benefit of their SDCWA membership.
- FPUD and RMWD would not be in a position to receive any water from the Skinner Plant if
 - (1) SDCWA were not a member agency of MWD,
 - (2) had not contracted with MWD to receive that water, and
 - (3) had not forborne to deliver the entirety of that water to *other* SDCWA member agencies.

- Some of the water from Skinner is QSA water that belongs to SDCWA, not MWD.
 - MWD is acting as a conveyor, not a supplier.
- The rest of the water from Skinner is MWD water (from the State Water Project or obtained under MWD's rights to Colorado River water) which has been purchased by SDCWA from MWD as a member agency.
 - MWD is acting as a supplier.
- Either way, all of the water received by FPUD and RMWD from Skinner belongs to SDCWA and comes to FPUD and RMWD as a benefit of their membership in SDCWA.
- FPUD and RMWD do not have a right to the water flowing in MWD-owned pipes through their service area.

- Therefore, LMA's assessment, based on share of water received by FPUD and RMWD from turnouts on SDCWA pipes rather than turnouts on MWD pipes over the period 2010 – 2019, that FPUD and RMWD benefited from their membership of SDCWA only a fraction of what they paid to SDCWA is not correct.
 - The LMA estimate of benefits is too low.
 - All the water FPUD and RMWD received from turnouts on MWD pipes belonged to SDCWA and came as a benefit to FPUD and RMWD of their membership status in SDCWA.

The fair share of SDCWA fixed charges

- During 2010 – 2019, SDCWA received approximately \$1.233 billion in revenue from fixed charges from member agencies – the customer service charge, storage charge, supply reliability charge and infrastructure access charge.
 - The charges paid by FPUD and RMWD over that period amounted to approximately \$56 million, or 4.5% of the SDCWA total.
- Over that period, FPUD and RMWD consistently comprised approximately 2.7% to 2.9% of all meter equivalents served by SDCWA.
- LMA assert that FPUD and RMWD paid more than their fair share of SDCWA fixed charges since they should have paid their share of meter equivalents (2.8%).
 - FPUD and RMWD would have paid a total of \$34.5 million in fixed charges to SDCWA over the period 2010 – 2019, instead of \$56 million.
- I disagree.

- FPUD and RMWD consistently used more water per meter equivalent than other SDCWA member agencies.
 - The average usage of SDCWA water per meter equivalent within the FPUD and RMWD service areas in FY 2019 was more than twice that of the other member agencies.
 - Basing the allocation of all fixed charges on meter equivalent rather than volume of water received would be unfair to the other SDCWA member agencies.
- There is no reason to apportion the fixed costs of water supply among wholesale customers based on the member agencies' shares of the total number of meter equivalents serviced by the wholesale agency.
- It is more appropriate to allocate fixed costs of wholesale supply based on member agencies' (i) share of annual water deliveries, or something like (ii) their share of peak deliveries.

Conclusion

- The LMA Report's benefit-cost analysis is not correct.
- The measurement of the benefits received by FPUD and RMWD is not correct for the reason I have just stated.
- The measurement of the “fair share of fixed charges” attributed by LMA to FPUD and RMWD is not correct for the reason I have stated.
- Consequently, the estimate in the Report that FPUD and RMWD have subsidized the remaining member agencies by \$49.5 million over the period 2010 – 2019 lacks foundation and is incorrect.

Supply reliability – FPUD and RMWD

	DEMAND	LOCAL SUPPLY	EXTERNAL SUPPLY	% EXTERNAL
Calendar Year				
2020	8,920	617	8,303	93.1%
2025	9,475	5,430	4,045	42.7%
2030	9,799	5,430	4,369	44.6%
2035	10,381	5,430	4,951	47.7%
SOURCE: 2020 Urban Water Management Plan				

Calendar Year	DEMAND	EXTERNAL SUPPLY	% EXTERNAL
2020	14,297	14,297	100.0%
2025	13,750	13,750	100.0%
2030	15,200	13,200	86.8%
2035	14,672	12,672	86.4%
SOURCE: 2020 Urban Water Management Plan			

- FPUD: Some growth in demand, large increase in local supply, fall from 93% to ~45% in reliance on external supply.
- RMWD: Decline in demand, small local supply will develop.

- FPUD currently relies on external supply (now from SDCWA) for 93% of its water supply.
- Starting next year, FPUD will bring local supply online and will rely on external supply for 43% of its water supply, growing to about 48% by 2035.
- RMWD is 100% reliant on external supply both now, but will become 86% reliant starting in 2030.

EMWD

- Both wholesaler and retailer of water. Also treats wastewater.
- Supplies (1) raw & treated water and (2) recycled water.

	2020
Raw & treated water	
Retail service area	84,673
Wholesale service area	36,384
Subtotal	121,057
Recycled water	
Retail service area	31,243
Wholesale service area	1,285
Subtotal	32,528
TOTAL DEMAND	153,585

EMWD supply

- As well as its supply of recycled water, EMWD has some local supply of groundwater.
- Its non-local supply is from MWD.
- It uses its local supply mainly for its retail service area (46% of retail supply) and less for its wholesale service area (21% of wholesale supply).
 - MWD water is 54% of retail supply and 79% of wholesale supply.

	2020
Retail service area	
EMWD Local supply	
Groundwater*	22,362
Recycled Water**	31,244
From MWD	62,310
Subtotal	115,916
Wholesale service area	
EMWD Local supply	
Groundwater	6,467
Recycled Water	1,285
From MWD	29,917
Subtotal	37,669
TOTAL SUPPLY	153,585

- EMWD wholesale customers receiving treated water fall into two groups:
 - Most wholesale customers face a supply charge for treated from EMWD of \$1,350/AF.
 - A couple of customers – Rancho California Water District and Elsinore Valley MWD – have MWD pipes passing through their service area and take MWD water directly from turnouts on the MWD pipes.
 - They are billed by MWD through EMWD. They pay the MWD Tier 1 charge (\$1,104/AF) plus an administrative fee of \$11/AF to cover EMWD expenses, for a total of \$1,115/AF.
 - These two districts do not receive local groundwater supply from EMWD – they receive only MWD water from MWD pipes.
 - They are making no use of EMWD’s water distribution system.
- If FPUD and RMWD join the EMWD service area, EMWD plans to treat them the same as Rancho California and Elsinore Valley – they will make no use of EMWD’s distribution system, and they will pay an \$11/AF administrative fee.

EMWD expects significant growth in demand

- Between 2020 and 2035, EMWD expects a growth of ~ 22% in its service area population (retail and wholesale).
- This will trigger a significant increase in demand for water.

	2020	2030	2035	Demand growth	
				2020-2030	2020-2035
Raw & treated water					
Retail service area	84,673	108,300	114,400	23,627	29,727
Wholesale service area	36,384	52,400	54,400	16,016	18,016
Subtotal	121,057	160,700	168,800	39,643	47,743
Recycled water					
Retail service area	31,243	49,020	54,500	17,777	23,257
Wholesale service area	1,285	5,180	5,600	3,895	4,315
Subtotal	32,528	54,200	60,100	21,672	27,572
TOTAL DEMAND	153,585	214,900	228,900	61,315	75,315

Growth in EMWD demand without FPUD and RMWD

- While its retail and wholesale service population are both expected to grow by about 22% between 2020 and 2035, its demand for water is expected to grow by 46% (retail service area) and 59% (wholesale service area).
 - By 2035, it will need to supply an additional 75,315 AF/yr.
- To meet this demand, EMWD will increase its supply of local groundwater and also its supply of recycled water, as well as needing more water from MWD.
- EMWD will increase local groundwater by 38%, recycled water by 31%, and external supply from MWD by 27%.
- It will need to import an extra 24,920 AF/yr from MWD by 2035.

CURRENT AND PROJECTED SUPPLY FROM EMWD (AF/yr)			
	2020	2030	2035
Retail service area			
EMWD Local supply			
Groundwater*	22,362	32,153	32,153
Recycled Water**	31,244	53,020	66,500
From MWD	62,310	72,147	70,247
Subtotal	115,916	157,320	168,900
Wholesale service area			
EMWD Local supply			
Groundwater	6,467	7,500	7,500
Recycled Water	1,285	5,180	5,600
From MWD	29,917	44,900	46,900
Subtotal	37,669	57,580	60,000
TOTAL SUPPLY	153,585	214,900	228,900
* Includes desalinated groundwater and Saboba Settlement water			
** Excludes recycled water used for recharge			

Growth in EMWD demand with FPUD and RMWD

- If FPUD and RMWD join EMWD, this will create an additional demand for MWD water.
 - FPUD and RMWD will not receive EMWD's local groundwater , nor any of its recycled water.
- EMWD's demand for water from MWD, which was 92,227 AF/yr in 2020, would then rise to 134,770 AF/yr, an increase of 42,543 AF/yr (46%).

CURRENT AND PROJECTED DEMAND FOR WATER FROM EMWD (AF/yr)						
					Demand growth	
	2020	2030	2035		2020-2030	2020-2035
TOTAL DEMAND	153,585	214,900	228,900		61,315	75,315
Retail service area Total	115,916	157,320	168,900		41,404	52,984
Wholesale service area Total	37,669	57,580	60,000		19,911	22,331
RAW & TREATED WATER						
Fallbrook PUD demand		4,369	4,951			
Rainbow MWD demand		13,200	12,672			
Wholesale with FPUD & RMWD	36,384	69,969	72,023		33,585	35,639
Total Raw/Treated (retail plus wholesale with FPUD and RMWD after 2020)	121,057	178,269	186,423		57,212	65,366
DATA SOURCE: EMWD, FPUD & RMWD 2020 Urban Water Management Plans						

The availability of water from EMWD

- Most of EMWD's wholesale customers are connected to EMWD's distribution network.
 - For this they pay EMWD a water rate which is set above the MWD Tier 1 rate in the amount of \$246/AF in order to account, in part, for their use of EMWD's infrastructure.
 - They either do receive or could possibly receive some local groundwater and/or recycled water from EMWD.
- If FPUD and RMWD join EMWD, they would not be connected to EMWD's distribution network.
 - For this they would pay EMWD a water rate set at the MWD Tier 1 rate plus \$11/AF.
 - They could not receive local groundwater or recycled water from MWD.
- In the event of a shortfall in supply availability from MWD, EMWD itself could not help them out with its local supply.

Delta Reliance

- Since 2003, MWD has relied on SWP water for an average of about 63% of its supply.
 - The remainder is MWD's supply from the Colorado River.
- Over the past three years, SDCWA has relied on MWD in its role as a supplier of water (as opposed to as a conveyor of water) for 38% of its water.
- Therefore, on average over those years, SDCWA has relied on SWP water for about 24% ($= 0.38 * 0.63$) of its water.
- If FPUD and RMWD switch from SDCWA to EMWD, they will switch from relying on SWP water for 24% of their supply to relying on SWP water for 63% of their supply.

Exit fee

- Last week, I sent the following request to SDCWA, FPUD and RMWD

I am aware that there is currently disagreement among some of the parties with respect to whether LAFCO has the legal authority to prescribe conditions of approval that include financial terms such as a departure fee. I am not being asked to opine on this legal question. I am being asked, instead, to examine whether there is a sound economic justification for requiring a departure fee and, if so, what is an appropriate amount for that fee.

From an economic perspective, it seems to me that there is a sound economic case for requiring some sort of departure fee: the majority of the water received by FPUD and RMWD from SDCWA in recent years has been – either directly or in lieu – QSA water purchased by SDCWA and conveyed to SDCWA by MWD. This is water for which SDCWA has made a long-term purchase commitment.

Before I develop my own recommendation for the terms and magnitude of a departure fee, I would be interested in hearing directly from the parties – SDCWA, FPUD and RMWD – their own recommendations for a departure fee, including whether it should be a single lump sum payment or an annual payment for a number of years, what amount and, if payable over a number of years, then how many years. I would also like the parties to specify in detail the rationale for their assessment of this departure fee.

Next steps for September meeting

- Receive comments and suggestions on what is being presented today.
- Follow up with SDCWA on request for data and/or explanations.
 - This focuses in particular on details of rate impact calculation.
- Complete rate impact analysis.
- Complete and write up supply reliability impact analysis.
- Follow up, if needed, with EMWD for data and/or explanations.
- Follow up with conversations, as needed, with SDCWA, FPUD and RMWD on suggestions regarding an exit fee.
- Draft an exit fee analysis
- Prepare a complete draft of my report