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2 **LAFCO AD HOC ADVISORY COMMITTEE MEETING**
3 **ON RAINBOW-FALLBROOK**
4 [February 17, 2022]

5 D. NGU: Okay, we are live.

6 A. WILSON: Okay, thank you, Keene, uh, Dieu. Sorry about that. Uh, good morning,
7 Ad Hoc Committee members, uh, other interested stakeholders and members
8 of the public that may be present. Uh, today is Thursday, February 17, 2022,
9 and this meeting is now convened at 10:02 a.m. Uh, before we get started,
10 I'd like to make a quick notation that we have a new Committee member
11 serving with us today. His name is Keith Greer. Keith works for SANDAG
12 and replaces Rachel Cortez, who served on this Committee in the same
13 capacity and from the same agency. Uh, Keith made note to me that he will
14 be arriving late to the meeting today, uh, roughly around 10:30. So, uh, if
15 anybody sees an unfamiliar face, uh, that is participating in the discussion
16 and deliberations, uh, you now know why. So, uh, we will welcome Keith
17 as he arrives, but just wanted to make that notation. So, uh, with that said,
18 we can move on to, uh, roll call. And if we could have Tammy, our
19 Commission Clerk, or Committee Clerk, uh, proceed with that.

20 T. LUCKETT: Good morning. Um, Brian Albright?

21 B. ALBRIGHT: Here.

22 T. LUCKETT: Jack Bebee?

23 J. BEBEE: I'm here. Can I choose an alternative member or is it not possible?

24 [Laughing]

25 T. LUCKETT: Keith Greer is absent. Gary Croucher? Gary Croucher? He must be muted.
26 Nick Kanetis?

27 N. KANETIS: Here.

28 T. LUCKETT: Tom Kennedy.

T. KENNEDY: With bells on.

1 T. LUCKETT: Sandy Kerl?
2 S. KERL: Here.
3 T. LUCKETT: Lydia Romero?
4 L. ROMERO: Here.
5 T. LUCKETT: Nick Serrano.
6 N. SERRANO: Here.
7 T. LUCKETT: Kimberly Thorner?
8 K. THORNER: Here.
9 T. LUCKETT: Um, is Gary Croucher on the line or no?
10 G. CROUCHER: Yes, I am. I d-, --
11 T. LUCKETT: Oh, okay. You're present.
12 G. CROUCHER: We're good.
13 T. LUCKETT: Okay. I have ni-, nine present with one absent. There is a virtual quorum. So
14 ends rollcall.
15 A. WILSON: Tha-, thank you, Tammy, appreciate that. Uh, we will now move on to item
16 number three, which is the agenda review by the moderator. Um, I would
17 like to take a couple minutes to lay down some ground rules for today's
18 meeting. Uh, I want to respect everybody's time today. And, as Kim
19 mentioned before we got started, it sounds like everybody has some sort of
20 a prior commitment and hard time to, uh, stop and, and, and move on to other
21 obligations. So I will be doing everything in my capacity today to end this
22 meeting at twelve noon. Uh, I also want to footnote in advance that, when
23 we get to Dr. Hanemann's final report, uh, he will be making a short
24 presentation. We will welcome a brief Q&A session and we will open up the
25 item for discussion. And it's my hope that we can keep the level of discourse
26 on point, concise and not exhaust our time with a full regurgitation of the
27 wealth of information that has already been provided in written
28 communication, uh, some of which has been as early as yesterday and the

1 day before. So, uh, hopefully all parties and all Committee members can
2 respect everybody's time, uh, and we can complete this meeting, uh, in a
3 timely fashion. Uh, I also want to make it clear that, uh, today's end game is
4 not to convince Dr. Hanemann to, uh, go back and provide any supplemental
5 analysis. His body of work concludes today related to this Committee. Uh,
6 however, LAFCO will continue to entertain any written comments to his
7 report. And should LAFCO deem it necessary to engage Dr. Hanemann for
8 any additional review in the future, uh, during our process, uh, we will do so
9 independently, uh, and outside of this Committee. Uh, lastly, to conclude
10 Hanemann's final report, I will be asking each Committee member
11 individually to go on record as to whether or not they believe
12 Dr. Hanemann's fulfilled his obligation and responsibility, submitted a
13 report satisfactory and complete to the task at hand, which was to evaluate
14 three topics related to water reliability, rates and a potential exit fee. Um, so
15 more to come with that as we get to that item, but I just wanted to kind of li-,
16 uh, lay a little groundwork, um, with that, w-, with respect to time and, and
17 our process. Uh, and one other note which is separate but on a related matter,
18 I want to, uh, turn it over to Alex, who's our counsel, uh, for today, and give
19 him a quick opportunity to discuss the relation and legal co-, uh, components
20 between Rainbow and Fallbrook's proposal and the multiple service review,
21 uh, for the Fallbrook area that's currently being worked on, which is also
22 agendized, uh, for us today to receive an update. So, Alex, can you just kind
23 of briefly, uh, make point to that?

24 A. GIRAGOSIAN: Sure, thanks, Adam. Good morning everyone. I want to repeat some of the
25 things actually that Adam said, too. Um, I just want to start by talking about
26 the scope of this Committee. Uh, this is an ad hoc committee under the
27 Brown Act. A-, a-, an ad hoc committee is advisory in nature. In other words,
28 this body isn't expected to render any decisions as noted by Adam.

1 Additionally, this body is advisory to staff, not the Commission. The
2 ultimate recommendation to, to the Commission will come from the
3 executive officer, and that recommendation will be informed by input from
4 this Ad Hoc Committee. I want to note that we reviewed and received all the
5 letters and public comments from various agencies and their legal counsel.
6 Many of those letters pose legal questions. Those legal questions will be
7 answered in a public memo by lateral counsel prior to the Commission's
8 consideration of this item, but they are outside the scope of the meeting for
9 today. Dr. Hanemann's report is based on his economic and technical
10 analysis of the facts. As noted, many times, Dr. Hanemann is an economist,
11 not an attorney, and his opinions and conclusions do not legally bind the
12 Commission or staff's independent analysis. Like the Ad Hoc Committee,
13 Dr. Hanemann's report is intended to be advisory. Lastly, uh, it's important
14 to note that we not stray from the agenda as Adam noted. Our two main items
15 are Dr. Hanemann's report in Agenda Item 5-B and the Municipal Services
16 Review in Agenda Item 5-C. The discussion of each item will be taken
17 separately. For Item 5-B, only discussion regarding water rate impacts, water
18 supply reliability and a potential departure fee are relevant. For Item 5-C,
19 only discussion regarding services provided by Fallbrook's Public Utilities
20 District, Rainbow Municipal Water District, North County Fire Protection
21 District and County Service Area Number 81 are relevant. If there are other
22 items that were not covered, you can request that they be agendized during
23 the discussion of item fi-, – during the, during the discussion of Item 5-B
24 titled agenda setting for the next meeting. Back to you, Adam.

25 A. WILSON:

Alex, thank you. I appreciate the added information and, and, and much
26 appreciated. Uh, we can now move on to Item 4, which is public comment.
27 This is an opportunity for any member of the public to provide comments on
28 a non-agenda topic germane to the Advisory Committee. Comments will be

1 limited to three minutes. Uh, I will ask the Committee Clerk i-, if there are
2 any pre or current, uh, slips from the members of the public that wish to
3 speak today.

4 T. LUCKETT: No preregistered comments received.

5 A. WILSON: Thank you, Tammy. We can now move on to our business items, which is
6 Items 5 on the agenda. Item 5-A is the approval of action minutes for our
7 October 4, 2021 meeting. The Advisory Committee will review draft
8 minutes prepared by the Commission Clerk for October 4, 2021 special
9 meeting. The draft minutes before you are in action format and
10 recommended for your approval. And I may entertain any motion at this
11 time.

12 T. KENNEDY: I'll move approval.

13 G. CROUCHER: And second by Gary Croucher.

14 A. WILSON: We have a motion by Tom and a second by Gary. Tammy, can you please
15 do a roll call?

16 T. LUCKETT: Yes. Brian Albright?

17 B. ALBRIGHT: Aye.

18 T. LUCKETT: Jack Bebee?

19 J. BEBEE: Yes.

20 T. LUCKETT: Keith Greer, absent. Gary Croucher?

21 G. CROUCHER: Yes.

22 T. LUCKETT: Nick Kanetis?

23 N. KANETIS: Yes.

24 T. LUCKETT: Tom Kennedy?

25 T. KENNEDY: Yes.

26 T. LUCKETT: Sandy Kerl?

27 S. KERL: Yes.

28 T. LUCKETT: Lydia Romero?

1 L. ROMERO: Yes.

2 T. LUCKETT: Nick Serrano? Nick Serrano? He must be off the line. Kimberly Thorner?

3 K. THORNER: Yes.

4 T. LUCKETT: I have eight in favor, zero opposed. The motion passes.

5 A. WILSON: Thank you, Tammy. We can now move on to business Item 5-B. And this is
6 the consultant report and final report for the Fallbrook Public Utilities
7 District and Rainbow Municipal Water District. The Advisory Committee
8 will now receive a final report and analysis from consultant Dr. Michael
9 Hanemann related to the Fallbrook and Rainbow propors-, proposed
10 reorganization and detachment from the County Water Authority Service
11 area. As I noted earlier, a brief, uh, questions and answer session will be
12 provided between Dr. Hanemann and stakeholders as well as a deliberation
13 proceeding amongst the Committee members to take any appropriate action,
14 uh, as requested and needed. So, uh, Dr. Hanemann, uh, if we can get started.
15 Uh, you have the floor.

16 M. HANEMANN: Uh, do you, do you want to, uh, show my PowerPoint or should, should I
17 show w-, -- Thanks. Great. So, um, this is my, uh, a brief summary of the
18 report that, uh, you got a month ago. Um, a-, there's a l-, a lot of, uh, words
19 in it. A-, and I just want to summarize here some of the main points. Slide
20 two, please. So, just to summarize, uh, I was engaged to, uh, address three
21 topics which are listed here. I was engaged to do this as an economist. And,
22 uh, the report you received contains my opinions based on the information,
23 uh, available to me. And much of that inward, uh, information comes from
24 you me-, the members of the Advisory Committee. And I greatly appreciate,
25 um, your, uh, making time available, uh, to share with me and educate me.
26 Next slide, please. So, um, in my report I used the term, uh, M-water and
27 E-water. And I just wanted to explain what I mean by that. M-water is water
28 that the Authority receives from, um, Metropolitan as a member agency. Um,

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but, uh, the Authority also has QSA water, uh, which is handed over to Metropolitan. And Metropolitan, uh, delivers a like amount of water under the exchange agreement, and I call that E-water. Uh, so, uh, in the last few years, Fallbrook and, and Rainbow have received a mix of, of water coming out of the, um, the turnouts that was 80 percent E-water and 20 percent M-water. Uh, if they detach and join Eastern, they will be receiving a hundred percent M-water. And the key point is that, chemically, the, the, the water may be physically indistinguishable, but they're legally different with regard to the water right and their reliability. That's the key point. They're different. Next slide, please. Um, they're different legally. They're also different in costs. And, um, this is my – so, they are roughly, uh, the same cost, uh, as a source to, uh, the Water Authority. Historically, there may have been some difference, but, uh, I, uh, my best estimate is the difference, i-, in cost, if anything, was small. Um, th-, this shows the breakdown of the cost. The water itself is more expensive, so Imperial, uh, receives a higher price, um, than Metropolitan, uh, was willing to pay in 1985 when it made its first purchase, um, from IID. Uh, the main thing is the conveyance charge is essentially, uh, the same to the Authority whether it receives M-water and E-water. That conveyance charge was the subject to prolonged litigation. Um, from what I've seen, it is above what, uh, the economic cost would be. But the Court of Appeal ruled, and I think it's important to understand, the Court of Appeal ruled that, uh, if you have a lawful rate fixing body of a water agency, whatever rates it establishes are presumed reasonable, fair and lawful. And I'm not a lawyer, but I, I assume as a layperson that also applies to rates established by the Water Authority. Next slide, please. So, uh, the context for this is really the, uh, large increase in the Authority's rates since 2009. And, um, uh, I estimate that over this 11 year period, the Authority's all in rate rose by, it more than doubled; it rose by about 120 percent. By

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contrast, Met's all in rate, uh, rose also, but by significantly less. So, in 2009, the rate differential was, I think, uh, about a hundred dollars an acre foot between Mets, all in, um, rate and the Authority's. Today, it's about \$400 an acre foot. So, it's the gap between, uh, Met's rate and the Authority's that has widened. Next slide. And so the question is, why? Why did the Authority's rate rise, uh, so much faster? And, uh, I believe there are three factors. I think the major factor was the drop off in member agency demand for water from the Authority compared with member agency demand with water from Metropolitan. Uh, there was a reduction for both wholesale agencies, but the reduction in demand was twice as large as that experienced by Metropolitan. The reduction in demand comes about from conservation by water users served by member agencies, and it also comes about from increased local supply, particularly from, uh, reusing treated wastewater, effluent from, from recycle. And, so, it, it turns out that the Authority experienced twice as large a reduction in demand over a very short period than Metropolitan did. And because both agencies have a heavy share of fixed costs, that would widen the rate differential. The other major factor which stands out is, uh, around 2010, the years right before and right after, the Authority was making major water infrastructure investments. And Met was making some investments, but, uh, not significantly large ones; it had made large ones in an earlier period in the '70s and '80s, and I think it will be making large investments, uh, with the, um, for the Delta. But they were out phase, out of sync with one another in terms of timing. Carlsbad, the desal water, really only becomes a factor after 2015 because it wasn't a significant finance. Uh, today, um, it es-, it, it accounts for about \$215 of the \$399 rate differential. And so there's still a, a larger differential in wholesale rates than existed in 2009. Next slide, please. The distinctive feature, and this is, uh, a problem for many water agencies, and in particular it's a

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problem for Metropolitan, even worse than, uh, the Water Authority, is this fiscal mismatch between the, um, percent of revenues that vary if you, uh, change the acre feet delivered versus the percent of your expenditures that vary. If those two percentages were the same, then basically fluctuations in the amount of water you deliver would be revenue neutral. But they're not, for the Authority, uh, currently, there's the disparity, 72 percent of the revenue varies with each acre f-, change in acre foot delivered, but only 15 percent of the cost. If demand, this disparity is favorable if your deliveries are growing because then the extra c-, you get extra revenue, you get more extra revenue than the extra cost, and revenue, uh, sales are growing in Riverside County. But in, in San Diego County, wholesale, uh, deliveries are falling. And, a, a rough back of the envelope estimate is that for every, um, thousand acre foot less that the Authority deliv-, delivers, it loses in net, net revenue almost a million dollars. And, uh, this, uh, matters because there's the prospect of a significant reduction in Water Authority deliveries to its member agencies both in the next five, six, seven years, but also continuing into the next decade. Next slide. So, uh, this is my, um, analysis of the annual f-, uh, financial impact on, uh, the Authority. And there are two contingencies. Uh, one is there's some disagreement as to the impact on property tax revenue, uh, received by the Authority from the service areas of Fallbrook and, and Rainbow. And, um, the disagreement ext-, extends, as far as I understand it, from the assumption of no reduction in property tax revenue to, uh, the possibility of losing all the property tax revenue from that area. And I, uh, I have no opinion on the issues; um, this I think is a legal matter, but I did the analysis both ways. The other distinction is what I call short run versus long run. And this has to do with Met's readiness to serve charge because, uh, that is based on, uh, deliveries by Met to its member agencies over a ten year period. So, the first year in which, if there were a

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detachment and, um, the Authority were taking whatever it is, 18,000 acre foot less, um, it still pays the readiness to serve charge to Metropolitan based on the full amount. It'll take ten years for Metropolitan's readiness to serve charge to be reduced to reflect the fact that the Authority is delivering 18,000 acre foot less. So, the short run is when the, is with Metropolitan's readiness to serve charge unchanged and the long run is when it's fully adjusted after ten years. Um, uh, uh, either way, the net loss, so, so, there's a reduction in revenue of, you know, \$33 million; there's a reduction in, uh, water operations expenses of about \$21 million. That leads, uh, in the short run to an annual reduction in net revenue of about \$12 million and in the long run of about \$11 million. So, that's, uh, why I have four different numbers. Next slide, please. Uh, I also, uh, tried to estimate, um, the savings for Fallbrook and, and Rainbow. And, uh, at one point, their water, uh, uh, will still bear Met's, uh, readiness to serve charge and its capacity charge, uh, whether it'll still bear those charges, whether they're served by the Water Authority or by Eastern. But the specific amount of the charges won't necessarily be the same because these charges, uh, come from Metropolitan to the member agency, maybe the Water Authority or Eastern, and they depend on the overall, uh, amount of delivery over a ten year period and the overall peak, uh, delivery and those are not the same for, uh, Eastern as the, uh, as for the Authority. So the amount of the Metropolitan readiness to serve and capacity charges that hit Fallbrook or that hit Rainbow, whether served by one wholesaler or the other, won't be identical. So, I've included the Metropolitan charges in my, um, assessment of the rate impact for the Authority, and I'm including th-, them here in the impact of Fallbrook and Rainbow. And the bottom line is I estimate that in the first year, uh, they will save about \$7.7 million. Next slide, please. So, this brings up the issue of a departure fee, which is the third topic. And um, as I say, my understanding

1 and maybe it's wrong, is the Authority's position that, in the event of
2 detachment, they should be liable for about five percent of 21, uh, billion
3 dollars of, uh, indebtedness, so about one billion dollars, one-twentieth or
4 so. And Fallbrook and Rainbow have argued that they, uh, should be able to
5 detach without any financial liability. And in my own view, i-, I, uh, there
6 are arguments of course for both position, but I think both positions aren't
7 too extreme. However, the real issue is what LAFCO, uh, in, in the first
8 instance, what the LAFCO staff, um, thinks and then what the LAFCO
9 Commission itself does. And, as I've put it here, I mean, it's, it's a hard
10 decision and I wouldn't pretend otherwise. But to put it directly, the decision
11 is whether these two member agencies, uh, with, uh, very much an
12 agricultural basis, you know, located way at the north end of the County, so
13 they're distinctive in a number of ways, should they be, uh, permitted to walk
14 away scot-free, entirely unencumbered by any of the financial commitments
15 that the Authority has taken on, on their behalf and on behalf of the other
16 member agencies, nor the commitments that have been taken on basically in
17 the last 20 years? That's their decision, and it's the, uh, Commission's
18 decision. Next slide, please. So, if there's a departure fee, its logic would be
19 to provide financial coverage for an adjustment period. And, um, it would
20 -- it's not intended as a payment for water being received. The question of,
21 uh, if Fallbrook or Rainbow pay an adjustment fee for, let's say, the next
22 three years, shouldn't they be receiving some water? No. The logic is this is
23 a payment for obligations incurred when they were receiving water in the
24 past. This is paying off past obligations. And, uh, with regard to, uh, the
25 question of property tax, uh, as has been said, this is the legal issue and I'm
26 not offering any legal opinion. But I am offering some history, some water
27 history, because I know this history and I've studied it. The crucial point is
28 that until the 1960s, water agencies in California, and for that matter in most

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of the country, financed infrastructure by general obligation bonds. And starting in the sixt-, '60s, there was a major shift to revenue bonds. So, my, uh, uh, guess as to the history is, why the 1947, uh, County Water Act didn't mention or only mentioned general obligation bonds, is because revenue bonds were not used to any significant extent. So, this leads to two alternative interpretations: What is the significance, uh, that the, uh, County, uh, Act only mentions general obligation bonds, property tax revenues? And there are two alternative interpretations, at least. One is it didn't mention the legislature, it didn't mention, uh, revenue bonds or contract supply obligations because those were not a feature of financing urban water supply there. The other, uh, possible interpretation is the legislature didn't mention revenue bonds or other, uh, long term contractual supply obligations because it wanted to make a, a, an explicit point. It wanted to make the point that a member agency cannot walk away from general obligation bonds, but it can walk away, safe from revenue bonds. Which interpretation will, um, uh, sway a court, I don't know, and it's a legal issue and I have nothing to say. I just want to explain the historical context in which the County Water Act was framed. Next slide. So, in thinking, in my thinking of a possible transfer-, uh, uh, departure fee, I looked at the, uh, annual payment obligation by the Authority, uh, for its supply contract for QSA Water. Um, it has about \$21 billion in indebtedness. About \$2 billion in indebtedness, or, or, one, between one and two is revenue bonds. Uh, but about \$19 billion is the committed take or pay contracts to pay for QSA Water. So, what I am showing you here is Fallbrook and Rainbow's share of water, uh, delivered to all member agencies by the Authority over the last three years. Um, and, um, I break out the share of [MNI] deliveries and the share of all deliveries because they also received some agricultural deliveries under the PSAWR, uh, rate schedule. These shares are about the same if you look at the last five

1 years or the last ten years. There's, uh, no major difference, and my report
2 gives those numbers. That's, uh, that's looking at, um, their share of an
3 annual payment, this year's annual payment by the Authority. Should that
4 payment be made for three years, five years, seven years, or some other
5 number of years, that's very much a, a judgment for, uh, the Commission,
6 and I am not making a specific recommendation. Next slide, please. So, this
7 is my last slide, and the last topic is supply reliability. And I just want to say
8 it turned out last year was a remarkable year. I mean, when we started, uh,
9 uh, I, we had a meeting, I think, in January and then we had a meeting in
10 May. And within a week after the May meeting, to put it, uh, crudely, all hell
11 broke loose. Um, and both for the, um, uh, Sacramento River, Northern
12 California's rivers and for the Colorado River, the same thing happened. In,
13 in both cases the DWR in California, the Bureau for the Colorado River, that
14 tracks precipitation and issues a, a mo-, a report each month, January,
15 February, March, um, you know, predicting stream flow, uh, in the coming
16 spring and summer and, uh, on the basis of that, you know, recommending
17 deliveries or the divisions they'll allow. And in May, they discovered that
18 the predictions in each case that they had made in March were off, I think by
19 ten or 15 percent. There was less stream flow than they had expected. And
20 we now understand, uh, that, uh, the common factor is higher air temperature
21 leading to, uh, um, drier soil, uh, and more, uh, evaporation and, uh, a smaller
22 translation of precipitation into stream flow. And the result is, in both cases,
23 the agencies have had to abandon their long time forecasting models. And
24 there is suddenly, uh, an awareness of great uncertainty looking forward.
25 And, uh, as you all know, we lived through that; the tremendous rains in
26 December and then the dryness, uh, you know, in the last six weeks since
27 December. So, there is, uh, enormous uncertainty about, um, um, future
28 stream flow and that translates into a lower level of reliability. And all I'm

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pointing out in the second and third bullets are some basic facts. Riverside County is growing. It's the fastest growing. It will depend, uh, uh, the, the – Eastern supplies its retail customers out of its recycled water, but, uh, currently is using Metropolitan water, uh, for its wholesale population. If Fallbrook and Rainbow join Eastern, Rainbow and Perris will be the only Eastern wholesale customers 100 percent reliant on Metropolitan water, at least as things stand now. So, the bottom line summary is this: The Authority currently relies on Metropolitan for less than 20 percent of its supply, and that's likely to go down in the future. Its other major source is QSA Water. That comes from IID, that comes from canal lining and that has a higher priority than most, but not all, of Metropolitan's water. And therefore there's a s-, therefore, based on this, um, the Authority has a more reliable supply than, uh, the supply Eastern will provide to Fallbrook and Rainbow. That's the, um, short summary, with of course a lot more detail in my report. Thank you. I'm done.

A. WILSON:

Thank you, Dr. Hanemann. Uh, really appreciate that summary. Um, I would like to quickly thank you for your participation on this Committee, uh, your working relationship with, not just myself but all, uh, Committee members and, and stakeholders that, uh, were interested in this process. Your professionalism, and most importantly, your expertise on a matter that's very complex. Uh, you also went to great lengths to help those that are not experts to understand this issue a bit more. Um, and I'm certain with your work, uh, and this report, uh, it will provide great value to our process and consideration by this Committee, uh, and the LAFCO Commission, uh, sometime in the near future. So, thank you very much.

M. HANEMANN:

My pleasure. And I've learned, uh, a tremendous amount from working with all of you, and I greatly appreciate your teaching me and your patience with me.

1 A. WILSON: With that said, as, as I noted earlier, I'd like to open up, a, a very brief, you
2 know, Q&A session if there's any Committee members that have any
3 questions or comments to, uh, Dr. Hanemann's report and/or, uh, summary
4 of it, uh, in his, uh, presentation today, so. Brian, looks like you, uh, gonna
5 be the first one out of the gate with your hand raised. So, uh, why don't you
6 take us away?

7 B. ALBRIGHT: Yeah, well, my last name is Albright so I, I'm used to having to go first. Um,
8 I, I do actually have a series of questions and maybe I'll just ask a, a couple
9 and, um, and, and then hear other questions and, and may come back. And
10 it's just, first off I, I appreciate today's presentation, um, and your
11 summarization of the final report. Um, you, Dr. Hanemann, y-, when you
12 were talking about the, the departure fee, you talked about it, it really needing
13 to represent, I believe he said paying off past obligations and not actually,
14 you know, representing the purchase of water for the future. But then, you
15 know, in, in looking at a potential, uh, departure fee, um, it looked like you
16 were, uh, actually comparing or evaluating, um, you know, the amount of
17 water, uh, to be purchased by these two agencies in the next couple of years.
18 So, if you, if you have some comments, um, on that in terms of maybe I've
19 misunderstood or how to reconcile it. And then my, my second question for
20 you to ponder, uh, uh, as well, I, you know, when we were going through the
21 initial draft report, um, I recall conversations about, um, a ten year period as
22 sort of being potentially proposed, um, as a departure fee period. And then
23 in your example and the final report, uh, you've shared that that's really up
24 to, to LAFCO and you've suggested three, five, seven, um, you know, all of
25 which are sort of shorter than that ten year period that we talked about, uh,
26 during the draft report. And so, I'd be curious as to, if there was any
27 additional information or evaluation that sort of led you to just kind of throw
28 out some shorter time periods, um, or, or if there's something else that I just

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missed. Thanks.

M. HANEMANN: Why don't I answer those two and then I'll – so, uh, the, the context is, um, there's an annual, um, uh, a-, payment obligation of 285 million in, in today's terms; it will change over time. And that's just for QSA water. So, I'm ignoring Carlsbad water and some of the other obligations. And the question is, what's an appropriate share? And I took the share of water that they, of all water deliveries, either all water deliveries or MNI deliveries, which, as I say, has been pretty constant actually over the last ten years. So, uh, uh, and, and put -- as one way of, of thinking what share of the – so I was using the share of water received as the share of, um, this cost. Um, I, you could also calculate a, the share of QSA, uh, that, that they received. And all of those numbers are in the report. But it strikes me as, um, when thinking of a share of a cost to relate it in some manner to the share of water. I, I think that's not the same as paying for the water, uh, but this cost is being built up by water, you know, by a commitment made in 2003. With regard to the length of time, what I actually said in the report was I thought it should be at least three and not more than ten years, at least three years and not more than ten. And, and then I put some numbers. Now, it, it really is a judgment. So, I-, let me say, if you were the LAFCO Commission, I mean or a member of the Commission, you know, and I were advising you, what I'd actually like to do, what I do is have a conversation with you, sort of interview you, ask you some questions about, you know, what do you think of in terms of these issues? And then I would, um, and I do that, of course, for other Commission members. And then I could shape a recommendation more specifically attuned to the thinking of the Commission members, or for that matter, the Commission staff. The way this was set up, I haven't had that interaction. And, and that, um, Brian, is, is why I'm vague. And so saying three, five, seven, I'm, I'm not withdrawing – I, in the report, I say at least three years

1 because I think nothing changes fast. In ten years, uh, you know, the
2 Metropolitan uses a ten year adjustment period. I mean, I know, um, uh, the
3 Authority uses three or, or five years. But, um, I, I think it's somewhere
4 within that range. And it's, it, it's a subjective judgment of equity on the
5 part of LAFCO staff and the part of LAFCO Commission. And since I've
6 had no interaction with them, uh, it, it's, I can't sort of -- yeah, I, I could say
7 what I might do if I were on the Commission, but that's a waste of paper
8 because that was so -- that's why I stopped where I did stop.

9 B. ALBRIGHT: Thank you.

10 A. WILSON: Tom, I think you had your hand up next if you want to go.

11 T. KENNEDY: I'll, I'll defer to Kim, let her, her get in there before I get going.

12 K. THORNER: Thanks, Tom. Uh, thank you, Dr. Hanemann, for your work today. I, uh, I
13 agree with Mr. Albright, a Herculean effort, uh, on this report. I did have a
14 question. Slide 12, and, and you just mentioned it. It said ignoring Carlsbad
15 Water. Um, and I notice that it only includes IID and All American Canal
16 water. Why not include desal water i-, as it is on the ongoing fixed obligation
17 of the Water Authority under a take or pay contract?

18 M. HANEMANN: No, I, I -- you have an argument, you have arguments made by Fallbrook,
19 rainbow that they get no benefit, uh, from Carlsbad. Now, I don't accept that
20 argument because C-, uh, uh, District's member agencies that do, uh, receive
21 Carlsbad water free up water that goes to Rainbow. And so, you know, the
22 whole logic and, and you all know this, you, this is not ala carte. You know,
23 as a member agency, you can't come along and say, you know, I want QSA
24 water, I don't want some MWD water or whatever and, um, you know, and
25 only deliver these molecules to me. It doesn't work like that; you can't pick
26 and choose. But I, uh, so, uh, but I thought if you were trying to work
27 something out and you're looking for some middle ground, as a matter of
28 practice, it might simplify things, uh, to focus as I do only on the QSA water.

1 But that, but that is a judgment and it's, uh, again, it's, the question is really
2 how LAFCO Commission members see this. And so I'm, uh, with all of
3 these things are powerful arguments on both side. I was trying to sort of find
4 a middle ground, but it's still, it's not a narrow middle ground; it's a broad
5 middle ground.

6 K. THORNER: Thank you.

7 A. WILSON: Go ahead, Tom.

8 T. KENNEDY: All right, well, thanks, Adam. And first, I want to thank all of you on the
9 Ad Hoc Committee for, what's it been? 18 months we've been at this thing?
10 I know Mr. Greer is brand new. He hasn't, um, suffered as much as the rest
11 of you, but I want to thank you for sticking through this process. Uh, it's
12 been longer than I, I'm sure all of us had expected. Uh, and also want to
13 thank Dr. Hanemann for his work. Um, we didn't always agree on every
14 point, but I appreciate that the job is now complete and we can move forward
15 on processing the applications. But just, uh, a couple of points. Um, you
16 know, in his comments you use terms like scot-free and things like that,
17 which was, we never th-, proposed in our applications there would be no
18 payment whatsoever. As you may recall, um, when Supervisor Jacob
19 recommended this Committee to be formed, it was so that we could come
20 together and find some middle ground. Um, I think that if you read the letters
21 and whatnot, uh, uh, finding middle ground here is not really, uh, something
22 that's likely gonna happen here. Uh, both Fallbrook and Rainbow had, uh,
23 tried with a Water Authority to find middle ground prior to our application
24 being submitted and have continued since. And even in, uh, uh, submittals
25 we put in last year and even the one this week, we've outlined other potential
26 middle grounds other than just the payment of property tax. And I think that
27 there's an important part of that report that, that is instructive here, especially
28 for folks who are within the Water Authority, which I know, uh, Kim is and

1 we have Nick from the City of San Diego, in that, um, this, this concept of,
2 of a member agency having obligations that go, or are based on past water
3 demands do exist at the Water Authority. They're in their rates and charges,
4 and they, they roll off over three and five years. And that's the structure
5 that's been established in the Water Authority. Within the Water Authority's
6 rules and regulations itself, there is no obligation of any member agency to
7 buy any amount of water. If I found a miracle well, uh, in the San Luis Rey
8 River tomorrow and stopped buying water, my p-, payments to the Water
9 Authority would drop off to near zero over three to five years. And that's
10 what we've, uh, proposed rather than something to an arbitrary selection of
11 QSA water over desal water and not including the desal or whatever like,
12 like Kim indicated. That's an arbitrary distinction of some obligation based
13 on some other metric that isn't really bound to what the rules and regulations
14 of the Water Authority are and how member agencies have interacted with
15 that, uh, going forward. There is no doubt that we agree and that the City of
16 San Diego led the charge in the long range financing plan at the Water
17 Authority that there's a structural imbalance on how expenses and revenues
18 are done, and there's a lot of work going on right now, uh, led by the City
19 and a number of member agencies to try to, uh, reform those structures at
20 the Water Authority. Who knows? That's been tried before. We'll see if that
21 happens. Um, and, uh, I think that that's an important, uh, distinction here
22 when trying to say we have a kind of Water Authority Act which says you
23 pay property taxes and, and obligations based on general obligation bonds
24 and then take it all the way to you have an obligation because you bought
25 water. And that's a s-, that's a, that's a, uh, a challenge for us. And I think
26 the last point I'll make in regard the liability, I don't, I don't disagree with
27 the supply mix of he, he states, the growth figures he states, that there are
28 challenges both on the Colorado River, which we've all seen, and in the State

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Water Project. But, um, Eastern Municipal Water District, as well as both of our districts, have studied the, the process. And in urban water management plans [inaudible] do the needs of our ratepayers can be satisfied 100 percent from Eastern. And whether the Water Authority is slightly more reliable or Eastern slightly less reliable, the fact is that there'll be p-, ample supply for our customers to meet their needs in any drought scenario as, as documented through, uh, studies done by Eastern and by, uh, both Fallbrook and Rainbow. So, when we look at the, the three items here, um, with supply reliability, there, yeah, you could say the Water Authority is slightly more reliable, but it doesn't, from the, from a [inaudible] Hertzberg [phonetic] perspective, is, is there adequate supply? Will there be supply from our water? Is there impacts to the Water Authority? Yes, we'd never disputed there were. And then on the, I, I think that he's closer, uh, in this number. I think we don't have a major dispute with those numbers. With the departure fee, I think that's where we, we have a more significant variance in opinion in that, not only is it larger than the economic impact of the Water Authority, which seems strange to us, is that it's not moored in, in a, in a, in a way that, that the Water Authority structure works today. So, uh, we're gonna be, continue to work with LAFCO, uh, to help them as the staff goes through their work now that this phase is wrapping up so that hopefully we can come to a mutually agreeable conclusion, um, both for LAFCO, the Water Authority and our agencies, uh, in the ultimate proposal that's brought to the Commission. Thank you.

A. WILSON: Thank you, Tom. Is there any other Committee members that have, uh, questions or comments? Nick, I saw your hand go up.

N. KANETIS: Yeah, thank you, uh, Adam. Um, Dr. Hanemann, um, first of all, I wanted to just thank you for this report. Um, I thought it was, uh, extremely thorough, uh, and, and helpful to myself and the team here at the, uh, the City of

1 San Diego. Um, I think it, for us it really set the table for the conversation
2 and the considerations that are in front of us and are in front of, um, LAFCO.
3 Uh, as you might imagine, um, one of the areas that the City reviewed with,
4 um, great interest is, uh, the, the parts of this that contemplated, um, a
5 departure fee versus roll off. Um, and so, Dr. Hanemann, I would, I would
6 like to ask just, you know, for the record, um, just i-, if you wouldn't mind
7 kind of extrapolating just a bit more on what you considered as part of this
8 contemplation and your analysis of, of a departure fee and roll off, and how
9 those are, are different from one another.

10 M. HANEMANN: So, first of all, I'm, I'm very aware of the fact that both in the Authority and
11 I think in Metropolitan and in, in many other, uh, uh, water agencies,
12 wholesale agencies which have member agencies, the practice is that
13 member agenc-, uh, member agencies don't make commitments, you know,
14 b-, um, to the future. So, the agency makes investments and member
15 agencies – and, uh, and it has advantages for member agencies. It leaves all
16 of you maximum flexibility, you know, and there's all sorts of uncertainty
17 and, and so flexibility is, uh, uh, very legitimate. I do think this is a broken
18 model now. That, that's, and it, it's kind of nobody's fault. Um, but I, I think
19 we find ourselves here, uh, sort of at the cusp of a change. And what's
20 driving this is both the, it's sort of amazing conservation, uh, that has taken
21 place in the last eleven years. So, I got a, a hostile email from Peter Gleick.
22 You know, uh, when I was interviewed by Joshua Smith, I said nobody could
23 have expected this, and Peter pounded the table and said that, the Pacific
24 Institute, we expected this, we've been saying this. But, what I mean is
25 nobody expected the magnitude of the change and the speed of the change.
26 Uh, I wrote a report for the state board in 1986 saying Southern California
27 could, uh, use less water per capita. We all knew it was humanly possible,
28 but, you know, whether it would happen w-, -- so, w-, what I'm saying is,

1 this really is sort of a tidal wave. The conservation, and also now the prospect
2 of potable, uh, reuse, uh, indirect if not direct. And, again, in 1986, at the
3 Bay-Delta hearings. It's 35 years later, but now it's -- so, this really creates,
4 I think, a crisis for, uh, all wholesale suppliers, particularly for Metropolitan.
5 I think even more for Metropolitan than, than for the a-, Authority. So, and
6 in this new situation there really is no material difference between roll off
7 and, and departure. These are very dramatic reductions oc-, you know, in
8 deliveries coming in a short period of time in the wake of, you know, very
9 large financial obligations, whether revenue bond obligations or, you know,
10 supply. And so the, a-, a-, so, one dimension is can we lower cost. And p-,
11 and one aspect of that is, you know, can we offload the water? The one thing
12 I, I, I'd say is, my own take, for what it's worth, is, I'd rather offload
13 Carlsbad than QSA water. Uh, Carlsbad water is insurance and insurance is
14 most valuable when there's the maximum risk diversification, I mean, when
15 it's spread over the maximum pool of, of covered people. But, and, and the
16 other thing is, even if you, um, i-, I mean, even sharing the QSA water, that
17 may be necessary, that may be this -- but all, uh, uh, these things take time
18 to be worked out. And I think there will need to be an understanding among
19 the member agencies, um, about, w-, you can look at it two ways: Higher
20 fixed charges and/or taking obligation to cover certain, a certain share of the
21 supply portfolio, I think, because, uh, we know there will be reductions
22 coming online, particularly potable reuse. And this is a good thing; it's, it's
23 desirable, but it's a matter of timing. Uh, you know 50 years from now, we
24 will need all this water [inaudible]. But for the next ten or, or 15 years, it's
25 gonna be very bumpy if demand suddenly drops away. And so there has to
26 be some sort of compact, as it were, among the member agencies within the
27 Authority, and I think within Met and ideally between Met, uh, between the
28 Authority as a member agency, um, uh, um, to really work out a plan to share

1 costs. And, as I say, in this context, you know, legally roll off is not the same
2 as a departure, but in practice it's very similar. I-, it's like you have two fires
3 frightening you, and both of these are fires and you have to fireproof the
4 house. And that's the, that's how I see this.

5 N. KANETIS: Um, I, I appreciate that very much. Um and so, you know, certainly, given
6 that, um i-, I think I do believe this is a significant issue. And, and as I said,
7 you know, I think your report and your comments set a basis for discussion.
8 Um, and so, you know, given the potential impacts to the City and to the
9 region, the statewide significance of the decision and, and, and the, the
10 potential detachment represents, um, you know, I would just say from the
11 City's perspective, you know, we believe this warrants a further
12 contemplation by this Committee and, and LAFCO as well. And so I think,
13 you know, the City would request that we do, do a deeper dive in analysis
14 on this issue, um, hopefully as part of another meeting of this Committee.
15 Um, and the City would welcome, you know, the opportunity to discuss how,
16 um, about to, how to go about this further with LAFCO. Uh, and I, you know,
17 I will also say that I think that there's other issues after, you know, going
18 through the report that, um, this Committee should consider. Um, you know
19 one of them, I think is, is, is voting. I think, um, uh, uh, you know, how, how
20 that would work. Um, it's certainly questions that have been raised here, um,
21 but, um, so. And then I would just ask one process question, Adam. Uh, is
22 there any type of, of action that needs to be taken today with regards to the
23 report?

24 A. WILSON: Yeah, once we, uh, kind of, you know, hopefully we can speed along this
25 Q&A. And, of course, I don't want to muzzle anybody, uh, with their
26 questions or comments but, uh, in terms of process with this item, yeah, I
27 would like to get, uh, everybody, uh, individually on the record, uh, if they
28 deem that Dr. Hanemann has fulfilled his duty and responsibility, uh, with

1 submitting this report and any other comments or direction, uh, that each
2 individual seems necessary, uh, with, with relation to that. So, I would like
3 to, to, to take that step after we conclude this Q&A, hopefully in the next,
4 you know, maybe five to ten minutes.

5 N. KANETIS: Understood, okay, thank you, sir. Appreciate it. And thanks again,
6 Dr. Hanemann.

7 M. HANEMANN: Thank you.

8 A. WILSON: Jack, you hand your hand up. Why don't you, uh, go ahead?

9 J. BEBEE: Yeah, th-, thank you, Adam. And, and I first want to thank Dr. Hanemann.
10 This was a, a big effort, uh, you know, fairly challenging. Obviously, the
11 parties see things differently, but, you know a lot of good information in
12 here. And I think, you know, the conclusion you just said, you know, I think,
13 th-, the issue here is a bigger issue than really detachment. It, it brought to
14 forward what are some real significant issues, not just with the Water
15 Authority, but with the Water Authority and Met that really can only be
16 solved with them together. So I, I think that's a great take away. And, and
17 part of the challenge is, you know, those investments spread over just the
18 Water Authority become somewhat challenging. So, I, you know, I really
19 appreciate that sort of take away. Um, a couple of questions, though, that,
20 that I had. So, you know, one of the items you have in the report, um, is the
21 idea that the, the QSA water is actually less expensive than the MWD water.
22 So, and, and then, when you go back and you say the, the benefit we received
23 of receiving that water in the past, set up some financial obligation. But in
24 that case, I guess in the case going forward, if we leave, they don't buy that
25 Met water and it's replaced with QSA water that's cheaper. Right? So, there,
26 they, in that case, there's a financial benefit of losing that increment of Met
27 water, correct?

28 M. HANEMANN: You know, there's a, a small price difference. I don't think this is a major

1 benefit. Wh-, i-, I mean this year, there's, uh, it's a bit cheaper. But I, I think
2 in the scheme of things, the price difference is very small. And I was saying,
3 that's partly because I think Met has arranged the pricing so that they are
4 around the, the same, you know, they a-, do costs in the same ballpark. Um –
5 J. BEBEE: Okay. But, but then going forward, as long as they purchase all that water,
6 either that water or Met water, even though it's a take or pay contract, from
7 a unit cost perspective, they're equivalent. Right? So, there's no, there's no
8 additional water cost if we leave on a unit cost basis, between Met water and
9 QSA water, correct?
10 M. HANEMANN: Except there's no commitment to buy Met water and there is the commitment
11 to buy QSA water. [Inaudible/crosstalk].
12 J. BEBEE: Right. Right. But as long as they take it all, as long as there's not more supply
13 than demand –
14 Marissa Yeah. There's not a, there's not, uh, uh, any, you know s-, substantial
15 difference between the cost of those two.
16 J. BEBEE: O-, okay. And then, uh, just curious, so you ended up with the departure fee.
17 When we first talked departure fee, it was the idea that it gave the, um, Water
18 Authority time to adjust, right? So, Fallbrook, Rainbow leave, there's some
19 revenue impact, they need some time to adjust. I-, is there anything with the
20 fact that the, the payment is actually higher than the net revenue impact? So,
21 there's a couple million dollars more in, in revenue that we would pay than
22 the actual net revenue impact. So, our net revenue impact was, you know,
23 ten to 12 million. The departure fee is 13 to 18, so they would actually -- you
24 know, and over ten years, you'd be talking about, you know, \$50 million
25 more paid to the Water Authority with no services being provided.
26 M. HANEMANN: So, it, it's a little more complicated. Um, so just to back up, in, in the draft
27 report in, uh, October, I did try to do a multi-year analysis. And I didn't try
28 that here just because I think, um, things are going to bounce around from

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one year to another looking forward, both the amount of water, uh, but also costs. Uh, ne other difference is, as, as you'll notice is the issue of reserves. And, and, and you and Tom both challenged my treatment of reserves in the draft report and I agreed with you and, and that's why I made the change. But, uh, I, I did this analysis using the rates for this calendar year, 2022. And what I do take from this experience is the rates could really bounce around because of reserves, right. So, uh, uh, the point the Authority made was the rates for '22 and '20, '21 were lower than they would have been because they were drawing down some reserves, but they wouldn't be drawing down reserves sort of every year forever. And, so, what I'm saying is the rates, and therefore the revenues, uh, you know, could easily move around two, three, four million dollars from one year, uh, to the next. And the Authority is saying its rates were unduly low because, uh, it was relying on, on reserves for this year. So, what I want to say is this, is this is one year, um, and the disparity, if you like, between the loss of revenue and the, um, the, the departure fee, that can, that will move around and it could go the other way and, and, um, you know, from one year to the next. What you're saying is a relevant fact for the staff, LAFCO staff and the Commission to think. Um, I was putting these sort of numbers out as a basis for thought; I wasn't – [inaudible] what you're saying is, is correct. The disparity may go away, you know, in, in, in, in another year, or change. These are things to think of. I wouldn't tie the payment necessarily to 2022 thinking of nothing else. Or, or you, you could argue two ways: It's simpler to tie it to 2022 or we should be sort of monitoring it for each of several years. Those are decisions for the Commission.

J. BEBEE:

Okay, and then I, I've got one last question, then I'm done. And i-, it's probably a question more for Keene and LAFCO, but I guess it's sort of big picture now. You've got this report that describes challenges to the Water

1 Authority that are, are not just attachment, but they're also roll off and, and
2 revenue and expense in balance. Is LAFCO, if, if you set a precedence in
3 this process, um, in terms of obligations a member agency takes on, is that
4 in form your actions as you go through the MSR for the Water Authority
5 that's planned? Since you have this report that identifies they're very
6 similar?

7 K. SIMONDS: The question, specifically the way I will answer it, does Dr. Hanemann's
8 report inform topics that we will explore in our upcoming Municipal Service
9 Review on the Water Authority? Yes.

10 J. BEBEE: Okay. Thanks.

11 A. WILSON: Sandy, as a member agency, you had your hand up, and won't you go next?

12 S. KERL: Thank you, Adam. Um, first, I just want to say thank you to Dr. Hanemann
13 for your work and your diligence in gathering a lot of information and trying
14 to make sure that you understand all perspectives. Um, I have one question
15 for you and then I have, um, a comment, a couple of comments that I would
16 like to make. Um, you made reference to general obligation, um, bonds in
17 your remarks today in the departure fee context. Um, that is not in your
18 report, and, in fact, the Water Authority Act language is bonds and other
19 indebtedness. And I assume, but would ask you to confirm, you're not
20 rendering any legal opinion about the GO bonds compared to other
21 indebtedness?

22 M. HANEMANN: No, no, I wasn't.

23 S. KERL: Okay, great. Thank you very much. Um, uh, i-, I appreciate the report very
24 much. Um, we think that, um, it's appropriate to, um, accept this, uh, report,
25 um, and move forward. Um, I think that there are a number of other really
26 important issues that have not been addressed yet. They're topics that we
27 included on the list of issues, um, to be discussed by the Committee when it
28 was originally formed. We shared our thoughts on these issues in our recent

1 letter. Um, and we know that other parties may have other questions and
2 issues. And we would suggest scheduling a couple of, um, sessions to go
3 through those issues, not the least of which, um, uh, focus on the areas of,
4 um, uh, voting, um, rights, the loss of voting, um, entitlement in San Diego,
5 um, representation for, um, Fallbrook and Rainbow in the Eastern Municipal
6 Water District, along with the environmental issues and so forth. So we
7 would hope that those could be taken up. I wanted to circle back to the
8 discussion about, uh, roll off or detachment. Um, those, I think as you noted
9 in your report, are two very different things. Um, roll off is something that
10 is planned over a long period of time. And, as you say, a ten year window to
11 plan and adjust is certainly doable. Detachment is an immediate seven
12 percent reduction in, uh, revenues to the Water Authority, um, which also
13 immediately impact all those local supply projects that are in development.
14 When you have a, a window of time to plan for and anticipate changes, um,
15 you can do that and you can adjust your revenue structure to deal with that,
16 um, uh, but an immediate blunt, uh, force of, uh, detachment is a much
17 different animal than, um, rolling off. Again, as you note in your report also
18 that, when you roll off, you are still a member of the Water Authority and
19 still have obligations for, um, the expenses, uh, and the obligations of the
20 agency. Um, so, I wanted to, to make that point. Um, we agree with you that
21 over a ten year window, uh, of planning, we certainly could adjust. Um, an
22 i-, an immediate, um, cut off is, is a very different thing. I think in, um, two
23 other points I'd like to make, um, I see in your final analysis that, um,
24 basically, with the, uh, differential between the Met rate, um, and the Water
25 Authority rate, um, the exit fee and the investments that Met is looking to
26 make and their most recent rate increase proposed at eight and nine percent
27 for the next two years, um, essentially, that differential dries up in terms of,
28 of savings. Um, and so, um, I would just point that out because, as one of the

1 huge premises of this of saving money for the ratepayers in Fallbrook and
2 Rainbow, um, that really lacks to be, um, borne out in the report, um, that
3 you made. Um, I would also say that, um, uh, I would just conclude with,
4 um, I think that, uh, at this point the LAFCO staff and the Committee, um,
5 should be in a position to schedule our next steps, um, and have conversation
6 on the next issues, um, and move forward. And, um, again, appreciate all the
7 time that you've put into this and, um, look forward to moving forward.

8 M. HANEMANN: Thank you.

9 A. WILSON: Thank you, Sandy. Nick, I know you've had your hand up, but I'm gonna go
10 to Gary real quick since he says he's had to leave at 11:20. And, Kim, if you
11 could s-, sit and hang tight while Gary concludes, I'll start with you on
12 getting you on record for, uh, some sort of advisory vote of, of, of Michael
13 Hanemann's completeness of his report. So, Gary?

14 G. CROUCHER: Nick, I appreciate it. I went ahead and adjusted my schedule. Uh, this is just
15 so important, uh, that I will be able to stay through. So, uh, I'll, defer to go
16 since Nick's had his hand up longer than me. I'll, I'll go after him. But, the,
17 the, I appreciate it and I will stay through the entire meeting.

18 A. WILSON: Okay, thank you. Nick?

19 N. KANETIS: Okay, tha-, thanks, thanks Gary, appreciate that. Um, I'll, I'll be, I'll be quick
20 here. Um, do-, Dr. Hanemann, first of all would like to, you know, thank you
21 for your tremendous effort here. Uh, it's been very, very extensive. Uh,
22 through our engagement with, with you at Eastern, we, we've found that, uh,
23 you've been very thorough. You've been very engaging. We've had a
24 number of conversations, not just myself, but brought in our, our, our finance
25 staff and our water resource planners to, to really get into the, the discussions
26 of the issues. I just want to say from Eastern's perspective that, you know,
27 we, we took this matter very seriously right from the, right from the get go.
28 We, we brought, um, our, our internal experts together to thoroughly assess

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Eastern's ability, um, to reliably supply Fallbrook and Rainbow with Dr. Hanemann. As you know, we prepared, uh, what we thought was a, a very complete and thorough technical memorandum which was the topic of a lot of conversation between us and, and, and you. And our conclusion was for that t-, TM looking at um, uh, current and future demands, uh, throughout Eastern's service area. In addition, with Fallbrook and Rainbow, we, we came to conclusion that we can 100 percent reliably, um, supply Fallbrook and Rainbow. I know that our staff and yourself, we've had, you know, differences of, of opinions and perspectives on that, but I do want to say that, you know, we, we took it seriously. We looked at it thoroughly. We, we reviewed it a number of times and, and we stand by our technical memorandum. We, uh, we are very confident that, uh, Eastern is in, in a position to, um, uh, meet Fallbrook and Rainbow's needs going forward. Um, with that, I also want to say that, um, besides, uh, water supply reliability, there's obviously the, uh, rate impacts issue. Um, um, there's the exit fee. These are not matters that, um, that e-, Eastern, you know, felt it was our purview to, to, to, to look at. We are a Riverside County agency. Um, this is a, a matter amongst San Diego County Water Authority's member agencies and other San Diego County Water agencies. So, really, really don't have a position or opinion on that as, as well as potentially some of these other aspects as far as, uh, uh, of vo-, voting rights, where and how that gets done, I, I, I can't see, uh, that Eastern Municipal Water District is, is, is gonna weigh in on that. Um, with regards to, one final thing with regards to water supply reliability, when we looked at it, we looked at it strictly from the perspective of Eastern's ability to supply Fallbrook and Rainbow. Uh, we have not, uh, done an analysis or delved into who is more reliable, Eastern or, or San Diego County Water Authority. I think that was the question that was posed to talk to Dr. Hanemann, Hanemann, right from

1 the get go, um, and he may, you know, come to conclusions with regards to
2 who, who is more reliable. We feel that if, if we can confidently 100 percent
3 reliably s-, um, supply Fallbrook and Rainbow, more than 100 percent is, is,
4 is really irrelevant at that point. So, I just wanted to share those thoughts and,
5 and again conclude with a, uh, uh, the appreciation for the work of this, this,
6 this Committee. Everybody is taking very seriously and, and then
7 Dr. Hanemann has really put the effort in, from our perspective. Thank you.

8 M. HANEMANN: Thank you, Nick.

9 A. WILSON: Gary, you still, you have your hand up. Do you have any Q&A for
10 Dr. Hanemann?

11 G. CROUCHER: Absolutely. The, uh, at first, uh, just like everybody else, thank you,
12 Dr. Hanemann. Not only, you know, I, I benefited from your, uh, report but
13 listening to you talk, uh, I am not, while the Chairman of the San Diego
14 County Water and, and, and then the Otay Water District, uh, have been very
15 active in water since about, uh, 2020, and prior to that, uh, through being a
16 firefighter for 35 years. So I, I do appreciate your comment about sometimes
17 it's like fighting fires, 'cause now you're talking my language. And, and I
18 can, uh, uh, better jump in at that point. But, uh, I do appreciate it, so thank
19 you. Uh, I know you've been put in a tough situation, uh, where you're trying
20 to, uh, work out middle ground all the way through, uh, up to and including
21 with the, uh, including or not including desal. Obviously, I have my opinion
22 within the report in regards to the desal being included, uh, due to the fact
23 that, uh, not only was, uh, Rainbow one of the initial nine agencies that had
24 a direct, uh, contract with Poseidon, uh, and their board president at the time,
25 uh, testifying in, in to the, uh, Water Quality Control Board asking that the
26 desal permits be pushed through quickly because Rainbow needed that to go
27 through as well. And then knowing that, uh, the other benefits that desal help
28 brings to, uh, the region, uh, as a whole, whether it be economic benefits,

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whether it be the reduction of some of the, uh, greenhouse gases, which I know that some have said has increased. But from the reports that I've read through the, uh, mitigation portions of it that we've actually reduced the quantity of electricity, uh, and which has impacted greenhouse gases because it takes less, uh, as efficient as that desal plant is with newer technology, it's, uh, more efficient than transporting the water down through the, uh, State Water Project. Uh, within that reduction, there is a reduction in greenhouse gases that the entire, uh, County benefited, uh, once again. So, I think, um, that's where I, I disagree, but it's just a, a, a comment, uh, not meant to be, um, challenging of the report; it's just one of the things that I think, um, should have and could, uh, have been used in [inaudible]. As the Water Authority, we t-, we do look at the regional things. But, uh, like I said I, I really appreciate, uh, your, your points within it. Um, there's the, uh, efforts and I think, uh, Director Kennedy had made a, a comment in regards to efforts to come up with something mutually agreeable between the Water Authority and, uh, the member agencies, uh, trying to leave the regional, uh, component of San Diego County. And the, um, I think the, the portions of that where you said you were trying to come to middle ground, uh, versus us trying to come up with something, I think one of the other tasks, uh, which will fall outside of this is gonna be, uh, other alternatives, uh, to the process. And I know that you weren't, um, brought in specifically as one of the three items or alternative, but as we move forward, um, because you've shown how, how, uh, professional you are and, uh, bring in somebody like you, to, to maybe help share some of the, what the alternatives may or may not be, dependent on what LAFCO's, uh, overall consideration would that be, because I know that's one of the other tasks that the Commission had looked to us for with alternatives. So, um, with that, uh, thank you, I appreciate it. Lots of different things, whether it be, uh, through the MOUs with Eastern,

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some of the rest, that I think that that will fall outside of, uh, your report, uh, unless you're brought back in for additional information, which is, is always comforting. So, I just wanted to make sure I, I took a moment in regards to the desal, but also to be able to thank you. The last one is specific to this report. Uh, as we look at it from different agencies, uh, it's even as the report is written, uh, pretty clearly. Rainbow disagrees with some of it, Fallbrook disagrees with some of it, uh, the Water Authority disagrees with, with some of it. But, overall, very well written report. And because everybody likes, to including CWA, likes to say what your report means versus you being able to answer it for yourself, I hope when we get to the point where we, uh, give the presentation to the, uh, full Commission, that it's considered that, uh, you're brought in to be able to a-, answer questions, uh, specific to your report, should it be required because there's nobody that can answer this better than coming directly from you. You show a level of professionalism. You sho-, your knowledge is just absolutely incredible. But it, it recognizes your efforts and your passion or, uh, water, period. Um, and I think when once people hear you speak versus somebody speak for you, it, it creates a whole different, uh, picture and it's much clearer. And it, it, it, it's very obvious that you're coming from an independent, uh, side of things, uh, from a professional that has been involved for, for many, many years, uh, including your recent report that came out or where you were quoted as recent as yesterday on CNN on some of your different things. So, uh, for me getting to know you has been nice. The, the, the, the absolutely amazing things when it comes to, to seeing where you're involved from the water side of things. And I'm, I'm proud to say that you've been involved in this project. We picked the right person, no doubt. So, thank you.

M. HANEMANN: Thank you. And I just want to say, I have, uh, benefitted enormously from being able to work with you. You know, for the Authority, Rainbow, um,

1 Fallbrook, uh, um, Eastern, uh, and, and other members. So, it really has
2 been my great pleasure.

3 A. WILSON: Kim, 11:21, I'm so sorry.

4 K. THORNER: No worries, no worries. Um, I'll, I'll be brief. Um, so, I, I attended the
5 LAFCO meeting over a year and a half ago when Chair Jacob referred it to
6 this Committee. And one of the things I remember is that she made it clear,
7 uh, that the parties should continue to talk and that, hoped that this process
8 would bring the parties together. So, I do agree with Chair Croucher. I, I do
9 hope that that, um, continues. Um, today, though, we're, we're talking about
10 the three topics that we came up with, right. And we, we retained
11 Dr. Hanemann to answer those. Um, we now have a report from
12 Dr. Hanemann. We have a long record of letters that the parties have written
13 passed each other, some of them is recently this morning. Um, I can't I'm in
14 a hundred percent agreement with everything in the report. As, as
15 Dr. Hanemann himself indicates, there's a lot of middle ground for
16 judgement calls. But I do agree there is sufficient information, there is
17 informed analysis in the report for LAFCO to consider on the three topics. I
18 do agree that Dr. Hanemann has satisfied, um, his obligation, uh, to us on
19 the three questions. Um, I don't agree, um, with this Committee taking up
20 legalities. Um, we, we have letters from, from lawyers on both sides. I agree
21 with Alex, um, as he spoke this morning that legal questions are not within
22 the purview of this Committee. And I do believe legal matters need to re-,
23 be referred to legal counsel, LAFCO counsel, for consideration. But to
24 answer your specific question, Adam, yeah, there is enough information in
25 this report on the questions of reliability, ratepayer impacts and a potential
26 exit fee. So, that's, that's my position. And it's 11:22!

27 T. KENNEDY: Is that a motion, Kim?

28 K. THORNER: I, I, I don't, I, I mean, I don't know, are they asking for a motion today or is

1 this each person giving their [inaudible/crosstalk]?

2 A. WILSON: No, we're not asking for a general motion; we'd like to get everybody
3 individually on the record. And I see, uh, you eloquently put your comments,
4 questions, and concerns, rightfully so, as I, uh, expect from everybody. So,
5 uh...

6 K. THORNER: Okay.

7 A. WILSON: ...you were a great lead in doing that and a great example. So, uh, I will kind
8 of just go down the line of every Committee member and, uh, if they could
9 make, uh, comments as such and accordingly to, uh, their own belief, uh, as
10 you did for yourself, uh, that's the goal here.

11 K. THORNER: Okay. Thank you very much.

12 A. WILSON: Thank you, Kim. So, with that said, we'll just, uh, Brian Albright, you said
13 you always go first with your last name, so, if I could, uh, maybe kick it off
14 over to you and, and, and follow Kim's lead to any, uh, uh, approval of
15 Dr. Hanemann's duties and responsibilities and roles and any other
16 comments that you may see fit.

17 B. ALBRIGHT: Sure, thank you, Adam. Um, you know, I think I guess my, my summary
18 statement would be I'm, I'm in agreement with, uh, with Ms. Thorner. I'll
19 just say, um, you know, I appreciate LAFCO counsel's actually guidance at
20 the beginning, um, with respect to our role as advising LAFCO staff and not
21 directly the Commission. Um, appreciate that, that clarification. Um, you
22 know, in this process, I think I, you know I, I represent the County at large.
23 And so I, I've tried to take a, sort of a regional perspective. Um, you know,
24 the County is a customer of, uh, Fallbrook and Rainbow, and I think every
25 single one of the other County Water Authority member agencies, right. So,
26 I, I come at it from a slightly different maybe perspective than several of the
27 other, um, Ad Hoc Committee members. With respect to Dr. Hanemann's
28 report, um, you know, there's some heady stuff in there, um, that for a

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non-water expert like me, uh, I found challenging at times. So, I, I probably had to spend a lot more time, um, and, and reading through it multiple times compared to many of you. Um, but, you know, having done so, I found it to be comprehensive, fair, and unbiased, in my opinion. Um, and, um, I will say, I, I, there's a lot of information that's come in, uh, yesterday, the day before. I have not had time to thoroughly, uh, review that information, some of which I understand challenges some of the information in the report. You know, for me it's become clear, the more that we have, uh, discussed, um, this case that the, that the present challenge, um, and the present case that we're evaluating r-, you know, really is gonna impact the future of the County Water Authority and development of water supplies for other individual member agencies. So, you know, I'm looking at this and thinking this, this has some implications for beyond whatever, uh, the decision and action is that's taken with respect to this, uh, departure. Um, and that's something that I don't know where it'll go, um, or how that will be dealt with, but that's, uh, to me, you know, one of the larger elephants, uh, in the room that I think is worthy of consideration. Um, and, and Dr. Hanemann you, I, I appreciate your comments. You called it a broken model. Um, that's what I was thinking. I didn't want to say it, but since you did, I'm just gonna say I see it the same way. Um, and I appreciate, I appreciate your report and I, you know, for the record I, I agree, um, that, uh, you've sort of satisfied your obligations and your requirements. Thank you very much.

A. WILSON:

Thank you, Brian. And in no preference of order, I'm just gonna go through, uh, the Committee list that I've got. So, Jack. Jack do you want to go ahead?

J. BEBEE:

Sure. Yeah, so I appreciate it. And, and I agree with, uh, Kim that, um, you know, the information's there with the report, our comments. Obviously, it's, you know, it's up to LAFCO to kind of look at our comments compared to the report and, and make some decisions. I think, you know, Dr. Hanemann's

1 done, uh, what he was asked to do and it's, you know, it's time to kind of
2 move past that. Just sort of as a, as a reminder for everyone, um, Fallbrook
3 and Rainbow are paying for this entire process, right. And do Fallbrook and
4 Rainbow need to solve all the issues with water in Southern California, is
5 the other question that I think is in front of this Committee. And, and the
6 reality is, although I think they're great and important issues, the reason this
7 started was because we have some real challenges. and that's laid out in the
8 next item, in the MSRR. Our ratepayers in Fallbrook and Rainbow, and
9 Brian knows this 'cause he deals with us up in Fallbrook all the time, you
10 know, have some challenges in terms of not just in our community, but also
11 driven by cost of water, or loss agriculture. So, you know, I'd, I'd like to see
12 this move forward 'cause we need a path one way or the other, right? If we're
13 gonna have to raise rates seven to eight percent a year going forward, great.
14 If, if LAFCO's gonna set an exit fee that is half of my cost of water, great,
15 because that's going to change, you know, that, that's gonna make this
16 process unviable. If, if the Water Authority is sort of the Hotel California of
17 water agencies that you can't leave, and, and that's what that language in the
18 Water Authority Act was really meant to say is once you're in, you're in and,
19 and there's really no way out, and that's LAFCO's determination, then,
20 great, let's, let's get that figured out because that'll drive the decision. So,
21 you know, while I appreciate this and while there's this idea of, well, let's
22 talk about, you know, these peripheral issues, the Met's voting rights, how
23 we're represented at Eastern, which is really a, a Fallbrook issue, not a Water
24 Authority issue, how we're represented at Eastern. You know, point-two
25 percent in Met, is that, you know, the, the future of Southern California after
26 what Dr. Hanemann just laid out, all these challenges, we have, our strategy
27 in San Diego County is to win votes by point-two percent at Met, nothing's
28 gonna get solved. And so I think, you know, the main issue is resolved by

1 the report, you know, trying to move that forward. If there are real
2 alternatives that the Water Authority has proposed, you know, let's hear
3 what those are because what, what came out of the meetings with them is
4 they would help us get grants and loans for our infrastructure. That was the
5 proposal by the Water Authority. And we have people to do that. So, you
6 know, I appreciate this, but I'm really hopeful that we can move this process
7 along. It costs us money the longer this drags out, um, just to, to, you know,
8 pay the cost for all of this. And, and eventually we have to have a plan, one
9 way or another. So, appreciate it. And my, you know, end result is, I'm good
10 with the, you know, the report with our comments and happy to move this
11 along however we can. Thanks.

12 A. WILSON: Thanks, Jack. Uh, Nick Kanetis, do you want to go next?

13 N. KANETIS: Yeah, sure. And, again, just not to, to repeat what I said before, but with the
14 focus on water supply reliability, um, I think Dr. Hammond has done a
15 thorough job in his analysis, his assessment. As I said, I think there's, there's
16 differing perspectives, understanding and, and, and, and, and opinions, but I
17 think, um, he's, he's flushed out all, all the information and I, and, and I
18 believe with regards to the water supply reliability aspect of his report, uh,
19 he's, he's completed his, his, uh, assignment there. And the report is, is, is
20 done and, and, and ready to move on.

21 A. WILSON: Thank you, Nick. Tom Kennedy?

22 T. KENNEDY: Yeah, I, I agree, uh, that Dr. Hanemann has completed his duties, uh, not
23 only because we don't want to write anymore checks, but, uh, I think the
24 report and -- there's no further information. There's enough, there's a body
25 of information here, ample for the lack of staff, 'cause, so Carol and, and
26 Priscilla can dig into all of it and help, help Keene in the preparation of
27 report. Um, I think that, you know, there's not a heck of a lot more to give
28 that, uh, won't just be letters going back and forth. So, that, that's not

1 productive. So, I do I think that we should wrap up this portion of this
2 Ad Hoc Committee's work, and that we should, uh, resist the attempt to add
3 s-, more and more scope to this because I don't think that's gonna add to the,
4 uh, the, the work of the staff at LAFCO. If any particular interested party has
5 particular topics they would like to bring up, they can send them in to
6 LAFCO just like everyone does for every other process at LAFCO as
7 opposed to dragging on this, uh, particular committee. So, with that, I'll cede
8 to the next person.

9 A. WILSON: Thanks, Tom. Uh, Lydia Romero?

10 L. ROMERO: Hi Adam. Sorry about that. I have to keep my Camera off because Our Wi-Fi
11 here at the city is really bad. So, um, uh, I have to say, I have to echo some
12 of Brian Albright's comments as a non-water person. Um, this was a topic
13 that I had to catch up really fast and spent, uh, multiple times reading, not
14 only the draft report from Dr. Henneman, but the actual report from
15 Dr. Henneman. And I have to say with all of you, I had a tremendous
16 learning curve over the last 18 months. So, thank you very much. But to get
17 to the crux of the issue, I think the report was very thorough, concise and
18 understandable based on the information available. This was an informed
19 analysis and the tasks that were required, um, that we had tasked
20 Dr. Hanemann with, um, I think were responded to. Um, this issue is a very
21 difficult one, and threading n-, this threading that needle I, I think was
22 accomplished and gives LAFCO staff the information they need to, to work
23 with all entities to make an informed decision and recommendation to the
24 LAFCO staff. I think being one of the few non-water, uh, individuals on this
25 call, uh, uh, I think our, our Committee work is done. Um, we had very
26 specific tasks and I think those tasks have been complete and I think the rest
27 of the information needs to actually go to the LAFCO board and allow those
28 experts to have, um, a say on, on what the next steps are. So, thank you all.

1 A. WILSON: Thank you, Lydia. Thank you. Um, Sandy?

2 S. KERL: Um, thank you. I appreciate the opportunity to comment. Um, I agree that,
3 um, the report is, is completed. Um, I think as was said by my Chair, each
4 of us has a little bit, uh, different take on some of the information in the
5 report and not a hundred percent happy, so that must mean you got it right,
6 Dr. Hanemann, is that we share that, um, across the board. Um, I would just
7 add that this is an unprecedented action in the State of California, and it is
8 complicated. And so I do appreciate all of the, um, Committee members and
9 the time and the effort that's been spent on this. And this is, um, really going
10 to be a foundational, um, action, whichever way it goes, um, for water
11 planning in the State of California. Um, you know, to Jack's comment of,
12 about the voting rights, you know, I don't know if Jack hasn't been watching
13 Met meetings, but a lot of those i-, issues that Met gets decided on a very
14 thin margin. It's unfortunate, but it does. And as Rainbow and Fallbrook area
15 grows in assessed valuation, that percentage vote value changes and will
16 increase over time. So, these are material to the benefit of this region and
17 what our ratepayers are gonna pay out of the things that Met's doing and the
18 big investments that they're about to make. Um, and as evidenced by, by
19 their latest proposed rate increases, which are just for status quo budget, they
20 don't include any new investments in supply reliability going forward. um,
21 I respectfully, um, disagree, um, with the last comment that this Committee
22 has finished its work. Um, there was, uh, quite a bit of, uh, work assigned to
23 this Committee from the LAFCO Commission, um, which has not been
24 completed and I would hope that this process was continued so we can get
25 through those issues, provide information to the staff which they then can,
26 um, share it LAFCO. But, uh, to this specific point, I am ready to accept the
27 report and move on to the next items.

28 A. WILSON: Thank you, Sandy. Uh, Nick Serrano, City of San Diego.

1 N. SERRANO: Thank you, Adam. Um, I would say, uh, in, in terms of the do-, of
2 Dr. Hanemann's report, uh, job well done, mission accomplished. Um, I
3 think, uh, he, uh, uh, accomplished what, exactly what we asked him to set
4 out to do. So, I would support, uh, accepting, um, Dr. Hanemann's report.
5 Um, you know, as I mentioned, and to not repeat my earlier comments too
6 much, uh, but we, the City certainly believes, and, and I think this discussion
7 highlights that there's more items that thi-, this Committee should consider.
8 As I said, specifically, roll off versus detachment and the impacts to the City
9 of San Diego, um, some of the impacts to ratepayers which includes
10 affordability and also, um, voting rights. Um, a-, again, I, I just think this is
11 a significant decision, uh, that will come before LAFCO. And so I do think
12 that just from a pure good governance perspective, uh, you know, a thorough
13 vetting and discussion, uh, of these items and some others are probably
14 necessary. Um, and so we would certainly ask as the City that this, uh, be
15 explored by this Committee. And, uh, we would make ourselves available
16 to, uh, determine how best to do that. But, again, Dr. Hanemann, thank you.
17 You deserve a vacation and, uh, job well done. Thank you.

18 A. WILSON: Thanks, Nick. Uh, and I think the last one is Keith. So, Keith, you missed
19 my introduction to the Committee as you're the newest member here. So,
20 uh, I let everybody know that, uh, you read all the material in the last year
21 and a half in the last week. So, uh, with that being said, I'll just give you the
22 opportunity to weigh in, uh, with the very short time that you've already
23 served and kind of tried to catch up to speed on, on, on what, I guess, little
24 that you may know of what we've worked on. But, uh, do you have any
25 comments or anything that you'd like to share?

26 K. GREER: Yeah, it's a unique perspective for me to come into a 16 month process in
27 the last week, and kind of when everything is coming to a head. Um, I can
28 give a little perspective. First of all, I'm Keith Greer. I'm the Manager for

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Environmental Planning here at SANDAG. I've been here for 15 years. Before that, I was at City of San Diego for 15. So, while I'm not an expert in water, I know government and I know how the government works. And, um, let me give you a perspective on, uh, Dr. Hanemann's report for just using your own words, Committee members. It was thorough, comprehensive, concise. He was engaging, willing to listen to others, make changes when he agreed, and he was regarded as highly professional. So, it seemed like a lovefest listening to this as an outsider for Dr. Hanemann. So, if I'm using your own words, it seems like he's ch-, he's, there's nothing missing from his report. I didn't hear anything today that said he's missed a whole section; it seems like the report itself did what it set out to do. There may be b-, technical disagreements and I would suggest that if there are technical disagreements, that appendages to his reports or as part of LAFCO's reports, you know, the members who think it's technically other o-, viewpoints, put there into an appendix or some kind of addendum to the report. But I think, um, I've not heard anything today or anything in the report that something big was missing. So, with that regard, I think now it goes into the more I think heated issue of, what does that mean? And this is a big issue and it's a c-, issue for us both in the regional and the state about what does it mean to leave a water agency? That's all I have to say today and thank you very much. And I look forward to our meetings.

A. WILSON:

Thank you, Keith. Really appreciate the comments and, uh, thank you for joining us and participating in our efforts. Uh, so I think I included everybody here. I don't think I missed anybody, um, unless noted otherwise. But uh – oh, Gary, there you are.

G. CROUCHER:

Oh, it's all good. I just didn't, uh, uh, jump in to, uh, show my support. But the, the one thing that I would have just, and it has to do with, uh, water reliability. Uh, lots of different things that could be said. So, what I will do

1 is I will focus purely on the question at hand: Has Dr. Hanemann, um, met
2 the needs and, and met what we requested him to do. And I, I, I'll keep it
3 nice, short and simple. Absolutely. Uh, he addressed the three issues. Uh, he
4 addressed him, uh, regardless of whose opinion was where. He did it
5 independently and kudos to Dr. Hanemann. And, uh, I say, absolutely, he
6 met the, uh, conditions or the expectations that we gave him.

7 A. WILSON: Thank you, Gary. Appreciate, uh, being concise there. Okay, I think that
8 concludes all ten Committee members. Thank you for those comments. Uh,
9 really, really appreciate it. Uh, before we move on, I do want to check with
10 Tammy, uh, just to make sure that there is no, uh, pre-provided or current
11 members of the public that have anything they wish to say or participate in
12 today's, uh, item.

13 T. LUCKETT: No, I received no speaker slips in regards to this item.

14 A. WILSON: Thank you, Tammy. And I will end this by saying I know there was a lot of
15 peripherals and a lot of comments to, uh, where this Ad Hoc Committee will
16 head to next. Uh, I think we can have, uh, some sort of more of a, uh, a
17 further conversation on the next, uh, uh, couple items ahead of us with the
18 future calendar, uh, and future, uh, agenda items, as Alex noted at the
19 beginning of this meeting. So, uh, with that said, Dr. Hanemann, thank you
20 so much for, uh, everything that you've done and, uh, we appreciate your
21 work and participation.

22 M. HANEMANN: Thank you. I will leave you now. Thank you.

23 A. WILSON: Thank you.

24 K. SIMONDS: Adam, uh, let me just jump in. Uh, uh, and Dr. Hanemann, I know that you
25 just left, but I very much appreciate his work. So, I think looking at the
26 agenda, I think maybe Priscilla can concise down her presentation as best
27 she can. Um, but I think we are going to go, uh, twelve o'clock. And, so,
28 maybe just get a handle on people's availability to maybe stretch out to, uh,

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with a commitment that, you know, we get done with the p-, uh, MSR at 12 and then, from 12 to maybe 12:15 we talk about the, the rest of the agenda, if that's doable.

A. WILSON:

Is there any objections to that from any Committee members with, uh, a an advised schedule with today's meeting wrapping up about 12:15, 12:20? Okay, having seen none, we will proceed. So, uh, we will move on to Item 5, is it B? No, sorry, fi-, 5-C, which is the Fallbrook re-, Region Municipal Service Review Report. Uh, th-, this Advisory Committee will receive an update from LAFCO analyst Priscilla Allen on the current Municipal Service Review for the Fallbrook, Rainbow region and its associated review with the reorganization proposals. Uh, this information is informational only. And, so Priscilla, uh, take us away.

P. ALLEN:

Thank you so much, Adam. Um, so I'm gonna have a, a quick presentation here. I'm gonna shorten it up for you all. Um, but, yes, Priscilla Allen, Analyst with San Diego LAFCO. Uh, Dieu's pulling up a PowerPoint presentation for me here as I begin. Um, but, as you all know, we've been working on this Municipal Service Review. Um, and it focuses in on four local governmental agencies within the Fallbrook region. And, then being the two that we've been talking about today, so Fallbrook Public Utility District and Rainbow Municipal Water District, and then two others being North County Fire Protection District and County Service Area Number 81, which is Fallbrook local parks. Um, next slide, please. So this MSR is an opportunity for, uh, LAFCO to independently evaluate services with three outcomes in mind: So, providing an informational resource to the general public, inform our associated task and updating spheres of influence for each of the affected agencies, and then also possibly, whether directly or indirectly, um, produce boundary changes in or other local governmental changes like creating or consolidating special districts. Next slide, please. So

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I'm gonna quickly highlight each agency, um, so or maybe concise. So, the first one to be formed was Fallbrook Public Utility District in, uh, June 1922, the last being North County Fire Protection District in January 1987. Uh, they have populations that vary, the smallest being Rainbow servicing 22,130 residents and North County Fire Protection District servicing 53,000 residents. Next slide, please. They have overlapping boundaries. Fallbrook Public Utility District being the smallest, spanning 44 square miles, um, and then CSA 81 being the largest and spanning about 122 square miles. Um, and so I'll move on to our, um, key conclusions and recommendations. So, on the next slide you see we have nine key conclusions. And they're written up in short form and I'll just quickly go through them. Um, so number one, this is an introductory Municipal Service Review where, um, the agencies and the constituents within the region we're getting to know this relatively unfamiliar planning process. But then also we were introducing our Commission to each of the affected agencies, um, and their service functions at depths that we previously had not visited. Um, number two, that the region has slowly and steadily consolidated their local government, going from eight agencies to four agencies. We also learned that avocados have had a huge influence in the region, um, and have influenced that mostly rural character. And then irrespective of the influence that avocados have had in the region, um, it's reasonable to assume that some level of subsequent growth and development will occur within the region, um, as that ties to housing demand as well as transportation corridors in the region and then also the available lands, um, supply. We also learned that Fallbrook has distin-, distinguishing gray, green, and blue collar demographics. Um, and then as we focus in on each of the agencies, um, so each of them have adequate and excess, um, municipal service capacities, though they do seem to have some stress testing underway within their finances. Um, and there is

1 this unknown case of incorporation in Fallbrook where there's been
2 reoccurring interests. Um, however, right now, uh, there are the three
3 reorganizations that are on top of mind for the locals, and them being the two
4 that we focused in on today, the detachment from San Diego County Water
5 Authority, but then also separately, uh, the reorganization proposal by
6 Fallbrook Public Utility District in seeking to, um, activate latent powers
7 such as street lighting, parks and recreation. Um, and so then moving onto
8 our recommendations. They total 15, but I'm going to focus in on three. Um,
9 so number, first and number two, um, the estimated loss of nearly one-fifth
10 of avocado acreage, um, should be further explored. And right now we have
11 been, um, provided with a grant through the Department of Conservation,
12 which is a two year planning grant w-, that we're working on with the Our
13 City of Greater San Diego County. And so we're hoping to, um, uh, focus in
14 on the region through that grant. And then number nine, that there may be
15 opportunities for additional consolidations within the Fallbrook region.
16 However, right now, that doesn't seem to be, um, imminent or otherwise
17 merit initiation by us at this time. And, lastly, number three, 13, um, and
18 San Diego LAFCO proceeded updated and affirming, um, with no changes
19 the spheres of influence for Fallbrook, Rainbow and CSA 81, um, with
20 [inaudible] being North County Fire Protection District. And so this
21 completes my presentation of the final report. Um, I want to thank Tom and
22 Jack, who are on the call today, and their staff, um, as well as the other
23 agencies for all of their help throughout this process. Um, but I'm gonna kick
24 it back to Adam and I'm ready to answer any questions.

25 A. WILSON: Thank you, Priscilla. Um, appreciate you, uh, shortening that down for us
26 with respect to our time and, uh –

27 K. SIMONDS: Yeah, and, Adam, this is Keene. I just want to say so, a, outstanding job by
28 Priscilla in preparing what is a very, uh, large in, a material document s-, uh,

1 on the fly, taking what was I think I'd asked f-, Priscilla to do a 20 minute
2 or so presentation, and then on the fly getting it down to three minutes. And
3 then I don't know if anyone else knows this, but there is construction at the
4 LAFCO office. Priscilla is able to do this without stopping to deal with this
5 jackhammering that some of you may be hearing in the background. So, uh,
6 thank you, Priscilla. And, Adam, I'll, I'll leave it to you to see if there's any
7 questions or comments.

8 A. WILSON: Certainly. I will certainly open up the discussion for our Committee. And it
9 looks like, Sandy, uh, you have your hand up, so if you want to lead off.

10 S. KERL: Yes, thank you. And Keene, and I would echo your comments. Uh, Priscilla,
11 really great job. Uh, we face that at the Water Authority board meetings
12 where things get jammed up and 30 minute presentations go to three. So,
13 great job. Um, just a couple of comments I'd like to make. Um, we think it's
14 important that the Hanemann report, uh, be attached, um, to the MSR and be
15 in-, uh, provided to the Commission since it does report on issues included
16 in the, um, MSR. Um, I would also note that, um, there's talk in the MSR
17 about increasing urbanization, and I think this should be discussed, um,
18 including the impacts of increased land valuation in the service areas, which
19 will directly affect MWD voting rights in the future impacts of separating
20 land use decision, um, that stay with SANDAG and water supply planning
21 assessment decisions for development that may be made by Riverside
22 County Agency. Um, we also note that some other points on the MSR and
23 the correspondence that we provided and that was provided to this group,
24 um, and, um, note that there is some inconsistency on data that we think
25 LAFCO should take a look at with regard to, um, population. Um, we will
26 provide a formal comment to the LAFCO Commission, um, following our,
27 um, discussion for their consideration when this goes back to them in March.
28 Thank you.

1 A. WILSON:

Thank you, Sandy. Jack?

2 J. BEBEE:

3 Yeah, just, just to clarify, 'cause I'm a little confused, so the MSR is a
4 snapshot in time through 2020, correct? I mean, is that sort of the intent of
5 the MSR is to capture sort of that snapshot in time? It seems like these issues
6 related to detachment and water supply reliability in the future will be
7 addressed as part of the process in the application for detachment. So, uh, it,
8 it seems like we're in a do loop on the MSR. And, and I'm just giving
9 everyone a heads up. You know, there was an application for Parks &
10 Recreation that's sitting out there. Um, there's a pretty substantial active
11 group in the community that is waiting on that and has been patient but is
12 getting less patient. And just to give everyone a heads up, until the MSR gets
13 acted on, that cannot be acted on. You're likely to start to hear from those
14 people, um, the Commissioners and others. So, I'm just giving everyone a
15 heads up. I understand the Water Authority's goal to sort make this take as
16 long as it can, but I think those issues can get addressed as part of the, you
17 know, application for detachment. And the, the need to hold up an MSR for
18 a time period in which we were members of the Water Authority, um, really
19 doesn't make a ton of sense, except we're just wasting people time. And at
20 the end of it, also, very well done document by Priscilla on a, on an MSR. I
21 mean, this, very well done MSR. So, I just want to, you know, thank them
22 for their effort. And for the Water Authority side, you know, the MSR has
23 been out there for an incredibly long time. And so, you know, there were
24 comments that could have happened along the way instead of, you know,
25 right before. And there was a draft Hanemann report, so the idea was tied to
26 the final Hanemann report. There was a draft one out there, if, if there was a
27 concern that somehow findings about some potential future change in water
28 suppliers needs to go in at MSR from a time period in the past, that could
have gotten addressed early in the process. Thanks.

1 A. WILSON: Thanks, Jack. Uh, Gary Croucher?

2 G. CROUCHER: Yeah, I appreciate Jack's comments. Uh, unfortunately for him, the LAFCO
3 Commission disagreed with his thoughts and, and put it on to today's agenda
4 with us. So, uh, lu-, luckily as we move forward as well, there may be pop
5 shots taken out there in regards to, um, the, the Water Authority's agenda in
6 regards to taking it as long as it can, being lazy, you know, bully, those kind
7 of things. I, I, I think we've tried to get away from that, but, um, obviously,
8 Jack, you feel you need to go back to that. It's very unfortunate. I think we
9 need to stay professional, we need to stay focused and we need to move
10 forward, uh, as appropriate. The, uh, different things within the MSR, the
11 ties in, uh, to the, the others is they were supposed to go, uh, parallel together,
12 uh, from my understanding and, and the understanding of the Commission,
13 um, and from LAFCO staff as far as I, I'm aware. So, uh, luckily we're doing
14 that, uh, in particular to the MSR. Uh, some of the questions that, that I had,
15 um, d-, does it, um, address some of the current conditions within that
16 snapshot, um, of current challenges? Um, for example, this would be one. I,
17 I know one of Rainbow's current challenges sets that they had their water
18 meters that were over seven percent inaccurate, and that they were losing,
19 uh, out, um, in, in their report, anyways, um, in excess of \$1.6 million a year,
20 uh, within the inaccurate water meters. Uh, did it, with the snapshot within,
21 um, did it take those kind of things into consideration? And then also, with
22 the, uh, portion of it that refers to, um, the financial issues. Um, I know that,
23 uh, within that it says that we should maybe look at, uh, review it again in
24 five years to, to consider if it's still an issue. Um, with that, rather than
25 waiting for five years and then saying that you can't look back five years
26 because it's only taking a, a snapshot of current condition, um, what if, rather
27 than waiting another five years, what if we were to take the snapshot like we
28 did and to see if it's a trend rather than waiting five years, look at the past

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five years and see if, uh, the past five years, um, is consistent with what you saw or what you're concerned about now, and is there a recognized trend? Otherwise, in five years from now, when you take it, you'd be saying if, if it is the same issues, uh, you would be saying once again you need to go five years out to the future again. So, uh, like I said, when do you, when you, um, raise some concerns, when do you explore, um, that beyond, uh, the timeline that work currently at? So, I think there's a, a couple questions in there, and I think that, uh, the snapshot in the current time, there's the different urban water management plans that, uh, those plans planned not only into this five year snapshot, but then the future plans as well. So, I think if we take a look at the urban water management plans as far as the future of those agencies and where they were hoping to go, um, versus where they got to during this five year snapshot, and then currently where they're hoping to go to in the future, uh, I think it's key and helpful, not only when it comes to infrastructure maintenance and replacement, uh, but then also, uh, future supplies. And, uh, within some of those, uh, where they've been successful at where they're hoping to go as far as independent local supplies and some of the rest, and I think it, within that, um, and that's where the Municipal Service Review goes along with, parallel with Dr. Hanemann's report or really, the, uh, the separation from the, the two agencies wanting to get out of the, uh, water portion of the San Diego region and be more aligned with Riverside. Um, within that, the, there's a couple different things that I think is important to be able to recognize, and one of them is, uh, and it was a statement by one of my, uh, colleagues, and it talks about um, some of the things that we've been working on. And it says, the statement was, the reality of the situation in San Diego County is that we have worked for two decades to diversify our supplies so that we could with stro-, withstand droughts. Our efforts have worked and we really have available supplies with a good deal,

1 um, that, from sources unrelated to California's hydrology. San Diego
2 should serve as an example statewide of how regions should plan for, um,
3 sorts, for these sorts of water shortages. So, I think the snapshot shows that.
4 Um, have, have we been successful in that, including Rainbow and
5 Fallbrook, uh, specific to that because that statement as we talk about the
6 different planning and the planning, uh, that we're talking about within the
7 service municipal reviews to ensure that our water, uh, agencies have that
8 reliable water that we talked about. Um, that, those comments that I just read
9 didn't come from me, um, but it was from the words of the general manager
10 of Rainbow, Tom Kennedy, in his letter to the, uh, Chair of the State Water
11 Resources Control Board in April of, uh, 2015. So, I think some of those
12 different things that were said then versus what is being said now is
13 important when you look at the snapshots in time and try not to change
14 history, acknowledge history and how it affects our current planning in our
15 current situation, uh, because, while a snapshot in time, it's also the overall
16 conditions that we currently sit at. So, those are, um, those are my comments.

17 A. WILSON: Thank you, Gary. Tom?

18 T. KENNEDY: Really ha-, hard to follow that one. So, um, I, I also want to thank Priscilla
19 for all the work that she did and some of her predecessors. This one's been
20 going on, I think Robert was working on this one, you know, a couple years
21 back, uh, and it, and it's great that it's done. I, I do appreciate that, uh,
22 Mr. Croucher is so concerned about Rainbow's, uh, water meters and I want
23 to let you know that we are at 99 percent complete replacing all of our
24 meters. So, if that's a big concern you, I hope that, that steels your heart a
25 little bit. But, um, I think that it's important for the people on this Committee
26 to understand, and I don't want to take Keene's thunder, but maybe I'll put
27 my LAFCO hat on for a little while, and consider that Municipal Service
28 Reviews are a function that LAFCO's, uh, required to do under the law every

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five years; it's not something that they choose to do this year or that year. And Priscilla and Carol and the rest of the gang at LAFCO have a huge list in front of them that the Commission votes on every year as to how to prioritize these. So, it's, and it's intended to look at a five year span, and so it's not something that is normally taken out of cycle, and it is independent of other applications that come in. And these are done on a routine basis, uh, month after month, they come through and they are not something that is generally conflated with other applications. Sometimes, um, through the process of a Municipal Service Review, LAFCO will identify changes in spheres and other actions that may need to be addressed as the pro-, process goes, and LAFCO will take such actions as appropriate. In this situation, the Municipal Service Review, as Jack indicated, is, is reflective of the five year period from 2015 to 2020, if I have that right, uh, Priscilla. And it's not constructive to the, to the, to the detachment, except for the, the, the clear and indisputable fact that the cost of water and, is making farming very hard. And in my service area, where over 60 percent of our water is for agriculture, we're losing a lot of acreage. And this entire detachment process is really to make sure that we can remain economically viable. So, I support and have supported and have given lots of feedback to the staff over the months on the MSR and we look forward to going to the March meeting and having the Commission a-, approve it. Thank you.

A. WILSON:

Thanks, Tom. Gary, do you have anything more to say or is your hand just up and –

G. CROUCHER:

No, just one question in regards to, I know when you have the annexation attachments or dea-, uh, detachments, whether it, it requires that, um, you do, uh, a MSR. Correct me if I'm wrong on that. But the, um, with requiring to do that, knowing that Rainbow and Fallbrook are not changing their, their service areas, we're only looking at changing the service area of the, uh,

1 CWA and, uh, the service area of, of Eastern with the Riverside, um, will it,
2 it require that the, uh, service review done, Municipal Service Review be
3 done within the County Water Authority and within the, um, Eastern portion
4 of it? And is that going to be LAFCO eas-, or Riverside LAFCO's
5 responsibility, uh, or will San Diego LAFCO, uh, follow with that or, or what
6 is just the process so, so I'm aware?

7 K. SIMONDS: Thank you, Gary. So, uh, I'll jump in. Keene Simonds. So, uh, with respect
8 to the reorganizations, uh, the LAFCO staff is on the hook to prepare a MSR
9 document specific to Eastern Municipal Water District given its boundary is
10 proposed to go, uh, further south into Fallbrook and Rainbow. That
11 document will be its own addendum to a Riverside LAFCO MSR that is
12 already on the books, and we are coordinating with Riverside LAFCO on
13 that process. And we do, uh, and we will present that as part of the
14 reorganization proposals that go to the Commission.

15 G. CROUCHER: Okay, and then the review of CWA?

16 K. SIMONDS: The review of CWA is scheduled, but is not, uh, impacted by the
17 reorganization proposals on file. We have a CWA st-, Municipal Service
18 Review scheduled I think in four years. Um, under LAFCO law, uh, there is
19 no, uh, nexus between a potential detachment and an MSR. The focus is on
20 the receiving agencies.

21 G. CROUCHER: Awesome. And last one would be, are, are we looking at, or is there
22 applications put in to be, uh, annexed into Eastern or is it just to annex into
23 the sphere of influence of Eastern? 'Cause I, I think there's a difference
24 between the two. And I, just like I said, I'm, I'm just trying to understand,
25 not trying to argue on one point or the other, just trying to ar-, uh, just trying
26 to, uh, understand better for, for my purposes.

27 K. SIMONDS: No, it's a fair question, Gary. It's a twofer. So, for Eastern Municipal Water
28 District, Nick and his, uh, water district brethren, uh, there, not only do they

1 need to annex, uh, uh, Fallbrook and Rainbow's physical territory, but in
2 order to s-, do that, a sphere of influence amendment, uh, is required. And
3 that is certainly the thinking as to why we are doing a, what I call an
4 addendum MSR for Eastern Municipal Water District, with the help of
5 Riverside LAFCO.

6 G. CROUCHER: Thank you. And I know w-, you, uh, I had requested to meet with you, um,
7 and maybe at some point we're able to move forward that. I know there's
8 challenges because of that. But at some point, even if we meet and, uh, I
9 know you've met with Tom, you've met with Jack. I think you were able to
10 meet recently with, uh, Adele, or if not, hopefully you're able to do that soon.
11 You've been able to meet with Sandy any others. Um, I've been involved in,
12 in different aspects of special districts, um, in different ways. And I'd love
13 to, even if we, we decide we're not gonna talk about specifically the MSR
14 or detachment, at least meeting with you to, uh, to get to know each other a
15 little bit. So, thank you.

16 K. SIMONDS: Sounds good. Thank you, Gary.

17 A. WILSON: Any other Committee members have anything more to say or contribute to
18 this item? Okay, having seen none, I will quickly check with Tammy to, uh,
19 verify if there's any members of the public that have provided any
20 pre-comments or are currently participating and wish to speak.

21 T. LUCKETT: I didn't receive any, um, preregistered comments. You can check in with
22 Erica.

23 E. BLOM: No live e-comments.

24 A. WILSON: Thank you. Okay, that concludes, uh, Item 5-C. Uh, trying to wrap this up
25 in the next ten minutes. We will, uh, let's con-, let's –

26 K. SIMONDS: Adam, if I, if I could just interject. Um, Priscilla, how do you want to handle
27 comments off [inaudible]? Uh, if there's any, uh, members here or the public
28 who want to comment on the MSR, um, can you give some, uh, quick, uh,

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instructions?

P. ALLEN:

Yes. So, um, and any comments they'd like to provide, please do so, whether emailing me directly or through our website. And we will accept these comments through, um, March 15th, keeping in mind that anything provided before March 6th, which would be the day before our March 7th Commission meeting, those will be provided as part of supplementary response to our Commission. So, um –

K. SIMONDS:

And the idea there, uh, Committee members, um, we have already briefed our Commission on the idea that an addendum to this MSR may be in play, uh, based on comments that this Committee ultimately, uh, provides us as a whole or as individual members. Uh, LAFCO staff will decide, uh, the merits of what would go into an addendum. Um, and that addendum, uh, may be produced, um, after the Commission acts on, uh, the MSR, MSR document on March 7th, uh, but presumably before, uh, we would take action on the reorganization, uh, proposals, uh, down the line. So, with that, thank you, Adam. And thank you again, Priscilla.

A. WILSON:

Thank you Keene. Thank you, Priscilla. Uh, we'll move on to Item 5-D and 5-E. Uh, I want to take these together 'cause I think they, they essentially rely on one another, and both asked the question, uh, where does this Committee go next, which has been asked in today's hearing, uh, from a few members of the Committee, uh, and also in written communication from prior agencies. Uh, so I would s-, you know, I think it's q-, quite obvious and it's safe to say that we have, uh, continue to have a number of members, uh, say that this Committee is completed and some members saying that they would like to, uh, tackle a host of topics a-, and move forward accordingly. Uh, from our perspective, it's fair and reasonable to conclude that this Committee has, uh, exhausted its duty, uh, for multiple reasons. I could, uh, detail later, if you wish. But, uh, it, it's, it's now time for us to pass the baton

1 to LAFCO staff, uh, to start the review. It's not to say that we want to ignore
2 any the peripheral issues or other issues that have been, uh, highlighted or
3 brought to our attention. Uh, those issues that have been noted in writing,
4 uh, and in today's meetings and comments from a few of the members, uh,
5 LAFCO staff will be preparing their report. Uh, and I think that report will
6 aim to address, uh, most if not all of those issues. Uh, it is then our
7 expectation, uh, that we would reconvene this Ad Hoc Committee one last
8 time, uh, to give them an opportunity to review LAFCO's final report, uh,
9 before it goes to the LAFCO Commission. Uh, and at that time, and
10 accordingly, uh, this Committee can provide any recommendations, uh, as
11 they see fit, uh, for the c-, LAFCO Commission to consider. So, I'll open the
12 floor to kind of retouch on some of the comments that we've already had,
13 but, uh, that's kind of our interpretation of where we go next, uh, with this
14 Ad Hoc Committee meeting, uh, convening one, one, one more time. And
15 I'll open it up for any questions or discussion with, uh, the members. So,
16 Gary, you have your hand raised?

17 G. CROUCHER: Yeah, I'll go ahead and put, um, my questions in, in writing or, uh, I'll look
18 at maybe with you. Some might be simple questions that are able to just be,
19 uh, one or two word replies back. But I think there's some additional
20 questions that go along with what alternatives did we come up with, uh, what
21 some of the different things are out there, what some of the, uh, things
22 [inaudible] the intent when I asked back in October and November, that
23 some of those things would be hopefully addressed when I sat down with
24 Keene and, and go from there. But knowing where we're at right now, uh,
25 and trying to look to where we're going, I'll, I'll put those -- well, I'll, I'll
26 call you, Adam. Uh, you might be able to sup-, uh, supply some of those
27 answers. Uh, if not, I'll throw the other answer or other questions into
28 writing, uh, so you can bring them to, uh, LAFCO staff and yourself and

1 maybe answer them. But, otherwise, you may deem it's necessary to bring it
2 back to the Committee. Uh, some of the answers that you come up with I
3 think would be beneficial to all Committee members that, um, as we work
4 through, uh, learning, uh, new things each and every day, uh, while I've been
5 in water, uh, for quite some time now, just like anything in, else in life, y-,
6 you learn something new every day. Uh, so, we'll take that and, and look at
7 it as an opportunity to share some of the questions, uh, and hopefully that
8 will answer some others as well. And then hopefully others will share their
9 questions and I'll benefit from them, too. So, I will, uh, I am gonna jump off
10 the call here shortly. I know Sandy and some of the others, uh, will remain
11 in and continue with some of the items, but, uh, I look forward to meeting
12 with you very soon and getting those to you in a very timely manner, uh, so
13 that, uh, it doesn't, uh, slow things down, uh, in a way that i-, it could benefit
14 everybody within the knowledge, uh, the, the Chair. So, thank you.

15 A. WILSON: Thank you, Gary. That's, uh, that's much appreciated and I would
16 encourage, uh, any and all parties to, uh, uh, do the same. Uh, Nick?

17 N. SERRANO: Yeah, thank you. I mean, I, I think I've made comments today about what
18 the City is looking for and to have contemplated. I would just ask, what is,
19 based off what you just d-, said and I'm gonna try and restate, then you can
20 correct me if I'm wrong. So, you're anticipating there's going to be just one
21 more meeting of this Ad Hoc Committee?

22 A. WILSON: Correct.

23 N. SERRANO: And then what is the timeline for that meeting to occur? And, so, I guess, the
24 timeline that LAFCO staff will need and then for that meeting to ha-, that
25 final meeting to happen?

26 A. WILSON: Keene, I'm gonna have to defer to you on this one. Putting you
27 [inaudible/crosstalk].

28 K. SIMONDS: Yeah, uh, well, I would say that it's reasonable to assume that, um, if we

1 were to have just one more, uh, ad hoc meeting, and again, s-, LAFCO staff
2 is not opposed to holding more. But as Adam correctly noted, our baseline
3 right now is that we would proceed with, uh, our administrative review in
4 that we would likely be in a position sometime, uh, in late, uh, summer, uh,
5 to perhaps hold a meeting and present, um, either a draft, uh, staff report or
6 a, you know, a near complete staff report. I will say, Nick, that your
7 comments certainly have given me some thought, uh, about, you know,
8 diving a little further into, uh, the roll off versus departure. I, I, uh, accept
9 your invitation that you ma-, uh, commented earlier on about, uh, working
10 with the City on, uh, understanding better the effects and impacts, uh, that
11 the roll off and the kind of formulas that Michael Hanemann's report has,
12 uh, that could be applied, uh, to other member agencies like the City. So,
13 um, we've got some work to do here at LAFCO staff on just those topics.
14 Um, the question, I suppose, for the Committee, uh, is, you know, to what
15 level beyond wanting to see LAFCO staff report on the actual re-,
16 reorganization would you like to actively participate? Not to commit that we
17 would agree with you, but, you know, we are open to the idea if we think it's
18 constructive and in the spirit of the ad hoc's, uh, task to perhaps schedule
19 more than just one more meeting.

20 N. SERRANO: Um, okay, I, I appreciate that openness. Um, again, I would just submit to
21 you that, you know, the City of San Diego, you know, certainly would
22 welcome more contemplation to not only the items that I mentioned, but just
23 others as well. Um, and so, um, you know, I would e-, I think you and I,
24 Keene, can, can talk about what that what that looks like. Um, I am
25 definitely, uh, empathetic to those who have been part of this for 18 months,
26 um, so I, I get it. Um, but at the same time, just given that, uh, the decision
27 that is in front of us, uh, adding in, you know, just a pure good governance
28 perspective, um, you know. I, I just don't want to be hasty, again, and I say

1 that to Fallbrook and Rainbow with respect, uh, just from my end. Um, but,
2 uh, okay. Thank you very much. And I, I, I think, um, I will also ask that the
3 City, uh, formally, uh, submit in writing, um, what I've mentioned today, in
4 addition to any other aspects that we hope will be contemplated in a LAFCO
5 report.

6 A. WILSON: Nick, thank you. And I, I, I, that would be appreciative if you could get that
7 on record and send that in, in, in to us f-, for our notes. Jack?

8 J. BEBEE: Uh, tha-, thank you, Adam. And I know better than, tha-, to argue with
9 Mr. Serrano. But I, I, I am sort of hopeful that, you know, even if this
10 Committee doesn't meet, what, what it seems to me is this format hasn't
11 been incredibly productive. Um, me and Gary seemed to not get along very
12 well in this format, and I'm not sure that's the case every other time, uh,
13 we're together. And so it's sort of my hope is that, you know, the parties can
14 still talk with each other and, and, as we've said throughout this, you know,
15 Fallb-, Fallbrook, and Rainbow are happy -- you know, we have different
16 views, but we're still open to talk and our options and, and what are those
17 things, you know. Our, our boards and, and us are, have said throughout
18 we're still open. So, there, there may be another, you know, way to keep
19 talking, even though LAFCO's doing their work based on our application,
20 which is a pretty defined role, and talk through some of these issues that
21 involve, uh, you know, the City of San Diego, the Water Authority, you
22 know, Fallbrook, Rainbow. So that's, you know, that's sort of m-, my hope,
23 and, and I support the idea that, you know, us getting together and talking
24 past each other and writing letters past each other with, you know, Brian
25 Albright stuck in the middle, um, maybe isn't the most productive path
26 forward. So, I, I support what sort of Adam laid out with, with the idea
27 understanding there's other issues that, you know, may need to get addressed
28 along the way. So, thanks.

1 G. CROUCHER: Yeah, Adam, if I just may, 'cause...

2 A. WILSON: Go ahead, Gary.

3 G. CROUCHER: ...just for everybody's benefit, the, uh, if you just saw Jack and I on this
4 forum, you would think that we were cutthroat enemies at it. We actually get
5 along very well. Uh, we work together and, uh, I don't want to make any
6 mistake that, uh, I'm absolutely committed to working, uh, within the entire
7 group. I just, just as Jack is passionate about Fallbrook, um, is passion about
8 Rainbow, I am very passionate about the region and the region as a whole.
9 So, uh, just want to make sure that nobody is getting the mistake that's all of
10 a sudden you've got two members on this committee that are just at each
11 other's throats.

12 A. WILSON: Thanks, Gary. Sandy?

13 S. KERL: Yeah, I just would like to interject that I think the parties just talking does
14 not give the regional folks on this, um, Committee the opportunity to
15 understand the really serious long term impact, um, to the region as a, a lo-,
16 a lot, losing voting power at MWD, what that means for the impact of the
17 entire San Diego region. And I think it's critical that we get a meeting at
18 least on that issues, um, set to talk about that. I guess the other thing I would
19 ask is, what has changed? The Commission had a list of duties for this
20 Committee to work on and those have not been completed. And so I'm just
21 trying to understand what has, has changed.

22 A. WILSON: Keene, do you want to give your perspective? I can give my perspective
23 [inaudible/crosstalk] how do –

24 K. SIMONDS: Yeah, so – the, the, the Committee or the Commission tasked the Ad Hoc
25 Committee to help LAFCO staff in the administrative review. I had
26 identified some topics, uh, in that agenda report on things the Committee
27 may weigh in on. Um, it wasn't intended, Sandy, on my end that that
28 becomes scripture, uh, in terms of tasks to do. So, through the Ad Hoc

1 Committee to date, the consensus, uh, has been let's get a professional
2 outside expert to tackle these weighty issues of water supply, rate impacts, a
3 potential departure fee. If the committee, all of you, uh, collectively say we
4 want to meet on this and this, uh, I don't think I would be, uh, uh, saying no
5 to that, uh, you know. So, I defer to the Committee on if the, the consensus
6 is let's, let's continue to meet on specific topics and this is part of the agenda
7 item, then I think, uh, you'll, you'll have an affirmative response to staff.

8 A. WILSON: Sandy, I think you're muted and your commenting.

9 S. KERL: Thank you. Um, I would like to just say, um, from my perspective, we do
10 need to have another meeting, um, on this issue. It has not been fleshed out.
11 I'm not sure how the LAFCO staff has enough information to be able to form
12 an opinion on this. And, um, so I would recommend that topic alone needs
13 to be the subject of another meeting.

14 A. WILSON: Tom?

15 T. KENNEDY: Well, right on the day that the lockdown happened in 2020, I dropped our
16 application package off at the old LAFCO offices over on Hazard and put it
17 at the doorstep and ran out of the building. So we're approaching a two year
18 anniversary. And, all during that time, um, our ratepayers are not receiving
19 the, the benefit of, of what the benefits of a detachment would be. So we've
20 been at this for two years. And at some point, LAFCO needs to start their
21 actual processing of the application. Uh, all the county tax issues have been
22 sorted out, all that other stuff has been done. The only thing holding up
23 LAFCO staff from processing our applications is the continuing back and
24 forth of this Committee. And as is, and it, it's not super productive. Now, I
25 recognize that some people have other issues they want to talk about. You
26 want to talk about voting rights at Met, you want to talk about this grand,
27 how it's gonna destabilize the County. That's fine. Um, I don't object to that.
28 But the one problem I have is making this some sort of serial issue that the

1 LAFCO staff, Priscilla, Carolyn and Keene, can't get started until this
2 Committee ra-, winds itself up. If the, if the applications can, can, can begin
3 processing, um, and th-, you want to have some concurrent discussions on
4 limited, limited topics while the, while the processing application is going
5 on, I, I don't object to that. If, on the other hand, we want to hold up the staff
6 from doing the work that, uh, you know, they've been charged to do for
7 almost two years now, and continue this seemingly endless discussion of this
8 Committee, I think it's a waste of our time and the cost that the, the fact that
9 it's costing our ratepayers a lot of money to process applications. We're
10 doing it for hundreds and hundreds of thousands of dollars at this point. And
11 so at some point LAFCO needs to make a call on this thing. And while I
12 appreciate that people want to talk about some minutiae here and there and,
13 and tie everybody up, and we can certainly do so, I also want to make sure
14 that, if such a decision is made, that it's done concurrent with the processing
15 of the applications.

16 K. SIMONDS: Um, J-, I want to be clear on something, uh, here, Adam. And, and, and Tom,
17 you, I understand your position. But for the record, um, LAFCO staff is
18 actively processing both proposals. We are currently working with the
19 Ad Hoc Committee on, uh, to date the three topics that were flagged for
20 additional, um, uh, independent lenses through an at large process plus
21 having members, affected members on the Committee. Um, I would not
22 agree with the idea that the Ad Hoc, uh, is slowing us down. Not at all. The
23 Ad Hoc is assisting LAFCO staff. Um, the question for this group and in this
24 Committee, uh, or this agenda item today is, are there issues that, knowing
25 that LAFCO has this long list that I think, uh, we shared with you on the first
26 meeting of all the factors that have to be addressed in a reorganization
27 proposal, are there anything, any items that this Committee wants to
28 participate in the staff administrative review? Uh, that offer remains, uh, um,

1 to all of you. Uh, LAFCO staff will certainly decide what we think is, has
2 more merit than other. Uh, but I just wanted to make sure that, uh, the, the
3 public watching understands, uh, we have value in this Committee. The
4 Committee has already proved valuable with the Dr. Hanemann process.
5 Um, and then I'll leave it there.

6 T. KENNEDY: Uh, Keene, uh, just a follow up on that. At what point do you think, uh, that
7 you can make a determination to the completeness of our applications?
8 Because the property taxes change processes has been completed, ma-, m-,
9 many, many months ago. And so that's a statutory thing, uh, with this sort
10 of reorganization application. And so I'm, I'm curious as to when you might
11 anticipate that to occur.

12 K. SIMONDS: End of summer.

13 T. KENNEDY: So it'll be 30 months. Okay.

14 A. WILSON: And, Keene, let me just add on to what you just said. And maybe that's kind
15 of whether I articulated it accurately or not. That's kind of what I was trying
16 to tee up in the beginning with respect to all the Committee members and
17 their opinions on how we move forward. Because obviously there's some
18 factions on both sides of the aisle here. Um, but it seems appropriate that
19 everybody could submit to us what they feel is necessary. And I know we've
20 gotten those communications already from, uh, the Water Authority and,
21 and, and maybe some others. But, uh, if there are specific topics that we can
22 narrow down for discussion, uh, then it's up to you as executive officer and
23 LAFCO staff to make that determination whether or not it merits this Ad Hoc
24 Committee reconvening again, uh, we can do so accordingly. Is that what
25 I'm hearing?

26 K. SIMONDS: Correct. And perhaps one way to facilitate that decision making, um, is for,
27 and I would ask this, uh, Adam, of you, to meet with individual, uh, members
28 to r-, reiterate the, the issues that we have been informed, whether it be

1 through Water Authority's letters or, uh, Fallbrook, Rainbow letters, a-, and
2 everything in between, um, coupled with the mandatory factors that Priscilla
3 and Carol are gonna have to address under statute. Uh, if there are topics that
4 the Committee members individually rise as priorities that they would like
5 to, uh, better participate in. And then you could share that with me and that
6 could, uh, inform my decision as to what content, additional content, I'd like
7 the Ad Hoc Committee to weigh in on. Um, I think that might be the most
8 constructive way to go forward today.

9 A. WILSON: Uh, I would agree and I think it respects everybody's desires here since, you
10 know, there are some members outside the subject agency that have noted
11 that, you know, their duty has been expired So, uh, Sandy, you have another
12 comment?

13 S. KERL: I do, and I, I know we're trying to wrap this up. This is very important. I just
14 want to say that there's, um, no precedent for a county transferring their
15 assessed value to another county for purposes of voting power. And, lo-,
16 losing this voting power is frankly a far bigger risk than anything that we've
17 discussed today. We just won a lawsuit in this very is-, is-, issue that Eastern
18 was on the other side of, and received a distribution of millions of dollars,
19 um, for that lawsuit. I think the fact of having private meetings are
20 inappropriate on issues that could lead to San Diego water rates being
21 determined by people outside of, uh, this County and in Riverside County.
22 So, um, I, I will conclude my comments, but this is very important and
23 serious work and it takes time. And, um, as I said earlier, is, uh, precedent
24 setting and it's gonna take the time it needs to take.

25 A. WILSON: Nick?

26 N. KANETIS: Yeah, you know, as I've been sort of listening to this discussion, you know,
27 I honestly just cannot, it, it's, it's really hard to just ignore some of the
28 regional impacts that I think this decision is gonna have. And, so, I mean,

1 again, listening to sort of, you know, Keane, Adam, uh, y-, you know,
2 Fallbrook and Rainbow, you know I, I just, I do generally have this feeling
3 that I think just one more meeting is insufficient. And especially given the
4 timeline that Keene kind of just laid out, too. Um, so, I, I don't have the
5 answer for what that looks like; I can, I've already submitted, you know,
6 what it is that I would like to see, um, be contemplated by this group, and I
7 think there's other things that are worthy of that consideration. So, I'm not
8 sure how the best process is. Um, I, i-, y-, you know, having this forum and
9 us deciding that scheduling I'm not sure is the best way to do it. But, um,
10 what I will just say is that, you know, at the end of the day, I, I think, w-, uh,
11 I do think we at least need more than just one more meeting than, uh, for this
12 group to consider, particularly for the regional impacts that I think the
13 decision of this magnitude will have.

14 A. WILSON: Understood. Uh, Jack?

15 J. BEBEE: Yeah, and, and I just want to say, I, I support what, what, uh, Keene and
16 Adam, um, laid out. Um, yes, I, as Fallbrook, I'm probably more used to not
17 getting my way than the Water Authority or the City of San Diego, perhaps.
18 So, I understand that, you know, th-, there's some issues that people have.
19 But, ultimately, you know, i-, I, it's the executive officer gets to make the
20 decision on what items they think they have covered and what items they
21 need input on. And, and I'm fine with that. And if there are, you know, some
22 items, uh, you know, that are, that are really important to the City that, you
23 know, it gets determined makes sense for this group to, to talk further about,
24 you know, I'm, I'm fine with that. A-, a-, as, as Keane said, there's some
25 processes that are ongoing with the application, so hopefully we can just
26 kind of, you know, work those, um, you know, in parallel and, and get
27 everything to sort of a summer timeline. But, again I, I'm fine with the idea
28 of us, all of us submitting what we think is important. Um, I, I'm also

1 respectful of those that have committed a bunch of time to this, if they've
2 been on this and feel like, you know, maybe they don't need to be part of the
3 discussion, you know, that, maybe the Committee can adjust to shows up or
4 who's involved, um, also for those topics. So, I think we just need very clear
5 discussion about exactly what topics we're talking about, you know, exactly
6 how they're related to, you know, detachment of Fallbrook and Rainbow.
7 You know, the roll off versus detachment issue, that may become more of
8 an issue with the s-, Water Authority MSR. We're probably not gonna solve,
9 um, as part of this, this process. You know, if we feel like this v-, but this
10 group should get into the details of Met voting rights and what does that
11 mean, um, you know, I'm, I'm not sure this is gonna be the, the best forum
12 for it, but, you know, if that's what Keane feels, then so be it.

13 A. WILSON: Nick, do you have more to add, or? Okay.

14 N. KANETIS: No, sorry.

15 A. WILSON: No problem. Well [inaudible/crosstalk].

16 K. SIMONDS: Adam, here's what I su-, um, this is what I would suggest. Um, I'm hearing,
17 um, active or pa-, at least passive agreement, uh, that our baseline that you
18 introduced in the beginning of this item, uh, needs, uh, more muscle in that
19 more than one meeting is needed. I, uh, agree with that after hearing
20 everyone speak. I would ask that, um, you proceed as you see fit, Adam, in
21 engaging, um, the Committee on prioritizing what, if any, uh, I assume there
22 will be topics that, um, you, they've heard today or others that, um, we then
23 can digest at staff and develop, uh, an agenda for the next meeting with the
24 analysis that goes with it. Um, I will be rather candid at this moment that
25 when the City of San Diego identifies the concern about roll off versus
26 departure and understanding that half of the County's population is affected,
27 uh, w-, we're going to take notice of that and we want to make sure that we
28 are, uh, dotting our i's, uh, on those topics. Uh, but I also want to make clear

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to our applicants, Jack and Tom, uh, you also have the right to, uh, have your proposals processed in an ex-, uh, expedient manner. We're doing that, believe it or not. And I and I s-, I saw your body language, Jack, when I said end of summer, and I understand the frustration. Um, so I understand that. But we are dealing with a rather significant set of proposals here, so, uh, please bear with us.

A. WILSON: Okay, so with that said, I think, uh, you've tasked me to reach out to the Committee members and have them narrow down their scope of items to, uh, have reviewed by this Committee. Uh, we will work through that and shuffle through that and deem appropriate of when and what this Committee will circle up and discuss again. Um –

K. SIMONDS: Yeah. And just maybe one thing, Alex. I don't want to get myself in Brown Act trouble. So if I have provided any direction to Adam that creates any pause on you, perhaps you can work with us offline to make sure that we're, we're all good on that front.

A. WILSON: Okay. Any other comments or questions from the Committee? All righty. Well, thank you for your extended time. I think I've got my direction. I'll be reaching out to all of you. Uh, a future meeting looks to be, uh, in place, but a time and date is to be determined. So, we'll work with you all accordingly. Uh, and I will adjourn this meeting at 12:34. And thank you all for your participation.

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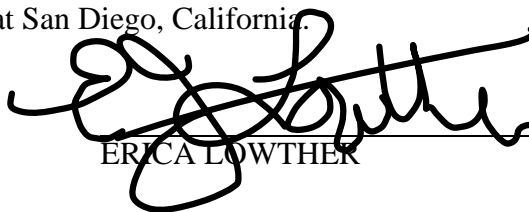
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I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on March 7, 2022, at San Diego, California.



ERICA LOWTHER