



CITY OF POWAY

13325 Civic Center Drive | Poway, CA | 92064

November 30, 2022

Ms. Priscilla Mumpower, Analyst II
San Diego Local Agency Formation Commission
2550 Fifth Avenue, Suite 725
San Diego, CA 92103

RE: City of Poway Comments on Proposed Reorganizations Fallbrook PUD and Rainbow MWD Prospectus Dated October 2022

Dear Ms. Mumpower,

On behalf of the Mayor and City Council, the City of Poway is submitting our formal comments on the Proposed Reorganizations Prospectus (Prospectus) presented to the Cities Advisory Committee on October 27, 2022. While the City is submitting comments on the information presented in the Prospectus, we find it odd we are being asked to comment on a prospectus rather than a formal staff recommendation being presented to the LAFCO Commission. It is our understanding based on information from Executive Director Simonds, the formal staff recommendation will not be available for agencies to review and comment on until approximately three weeks prior to the LAFCO Commission meeting. The City will provide additional formal comments once we have the opportunity to review the final recommendation to the LAFCO Commission.

As one of the cities in San Diego County that purchases water from the San Diego County Water Authority (Water Authority), Poway residents and businesses would be negatively impacted by a decision to allow Fallbrook PUD and Rainbow MWD to detach from the Water Authority as supported in the Prospectus. We find it fundamentally unfair that every water customer in Poway, and throughout region, will pay for Fallbrook PUD and Rainbow MWD to detach in order to save their own customers money. Further, the Prospectus seems to minimize the financial impact to all remaining agencies served by the Water Authority should detachment be approved.

The City adamantly opposes allowing the agencies to detach unless as part of the approval there is a plan in place to make Poway financially whole in perpetuity. The Prospectus does not contemplate keeping Poway whole in perpetuity, rather it recommends an exit fee for a defined period of time. With regard to the concept of an exit fee, it is our understanding Dr. Hanemann's full report, which was not directly provided to the Cities Advisory Committee as part of the October 27, 2022 discussion, suggested that should Fallbrook PUD and Rainbow MWD detach, it would be appropriate for a exit fee to be paid annually to the Water Authority for a period between three and ten years. For reasons that are not well explained, the Prospectus concludes five years "appears to be an appropriate standard." Appropriate for who? This works well for the agencies seeking to detach, but not the agencies (and really our customers) who will bear the financial burden of the agencies detaching for decades. The Water Authority has spent many years investing in projects and infrastructure to improve the

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reliability of the region's water supply. This has been done with the understanding that all member agencies will share in the short and long-term costs of these projects. Those costs are incorporated into all of our water rates. During the Cities Advisory Committee meeting, it was stated by LAFCO counsel that as they read the law, should Fallbrook PUD and Rainbow MWD detach, they have no long-term financial obligation to pay toward debt service on projects the Water Authority has undertaken to improve water reliability for all member agencies simply because the debt service is not on the property tax rolls. How can this be? Should the LAFCO Commission approve the detachment, the City of Poway would advocate the exit fee be paid for at least the ten year term identified in Dr. Hanemann's report and incorporate both agencies proportionate costs for the Water Authority projects. We say at least ten years because the reality is the financial impacts will be felt by all impacted agencies for decades and instead of the detaching agencies making us whole in perpetuity, the expectation is that within those ten years (or five as proposed in the Prospectus) we increase our water rates and charge our customers more so Fallbrook PUD and Rainbow MWD can charge their customers less.

The Prospectus also attempts to address the loss of voting rights at Metropolitan Water District (MET) and offers a solution that does not appear to be lawful. If agencies leave the Water Authority and annex into Eastern MWD, how does the Water Authority legally get to continue to vote as though the agencies still belonged within the Water Authority boundaries? Similar to other sections of the Prospectus, this conclusion seems to be a quick fix that is not practical or legally achievable. Even as presented, it is acknowledged this would be a temporary fix at best and eventually the Water Authority would in fact lose voting rights at MET if detachment were to be approved.

During the Cities Advisory Committee meeting, and in the Prospectus, the Water Authority's suggestion that the issue of detachment should be put to a vote of all registered voters in San Diego was dismissed as something LAFCO Counsel "does not believe is an option available to the Commission." As LAFCO staff develops their formal recommendations for the LAFCO Commission, Poway believes this opinion requires significantly more explanation. Should LAFCO allow Fallbrook PUD and Rainbow MWD to detach, forcing all other water agencies, including Poway, to raise their water rates, the proposed rates would be subject to the Proposition 218 majority protest process. If water agencies would have to take the higher rates to their rate payers for approval, due to the LAFCO Commission's approval of the detachment, why should our ratepayers not also have a voice in whether or not the two agencies are allowed to detach, in turn causing their rates to increase?

As has been stated multiple times throughout this letter, the City of Poway opposes allowing Fallbrook PUD and Rainbow MWD to detach from the Water Authority unless we are made whole, forever. It is fundamentally unfair that two agencies can detach to save their own customers money, at the expense of every other water agency's customers in San Diego County. Should the LAFCO Commission allow the agencies to detach, the City of Poway would strongly advocate Fallbrook PUD and Rainbow PWD be required at a minimum to pay the maximum exit fee for the maximum period of time supported by Dr. Hanemann's findings. The current LAFCO staff "conclusions" inexplicably appear to financially support two agencies, at the expense of the other twenty-two member agencies that belong to the Water Authority.

The City of Poway appreciates the opportunity to comment on the Prospectus, we look forward to reviewing and commenting on the final recommendations, when they are available, before they are considered by the LAFCO Commission.

Sincerely,



Chris Hazeltine
City Manager

CC: Mayor Steve Vaus
Deputy Mayor John Mullin
Councilmember Caylin Frank
Councilmember Dave Grosch
Councilmember Barry Leonard
Wendy Kaserman, Assistant City Manager
Eric Heidemann, Public Works Director