



San Diego County Local Agency Formation Commission

Regional Service Planning | Subdivision of the State of California

SPECIAL MEETING AGENDA CITIES ADVISORY COMMITTEE

Friday, March 17, 2023
11:00 A.M. to 12:30 P.M.

County of San Diego Administration Center
1600 Pacific Highway, Room 310
San Diego, California 92101

Moderator, LAFCO Executive Officer

Carlsbad	Chula Vista	Coronado	Del Mar	El Cajon	Encinitas
Escondido	Imperial Beach	La Mesa	Lemon Grove	National City	Oceanside
Poway	San Diego	San Marcos	Santee	Solana Beach	Vista

The Cities Advisory Committee is responsible for helping to inform the Commission and Executive Officer on all germane items relating to San Diego LAFCO's regulatory and planning responsibilities affecting cities. The current Committee has been called by the Executive Officer to review and provide ongoing feedback on LAFCO's FY2023 and FY2024 adopted workplans. All 18 cities in San Diego County are represented on the Committee by the city manager or their designee and have one vote. Each city may also appoint one or more alternates. The Executive Officer is also a non-voting member and serves as moderator and is responsible for scheduling meetings.

The Committee will hold the March 17, 2023 special meeting in person at the County of San Diego Administration Center (1600 Pacific Highway, Room 310, in San Diego). Three-hour visitor parking is available using the Ash Street entrance. In person attendance by the public is welcomed. The public may also watch, listen, and otherwise participate in the meeting remotely by any of the following options.

1. The public may watch and listen to the meeting live on YouTube using the link provided on our website homepage (www.sdlafco.org).
2. The public may watch, listen, and participate in the meeting by Zoom (<https://zoom.us/>) or by telephone at (669) 900-9128 using Meeting/Webinar ID: 895 6767 7168 and Passcode 508649. Please use the "raise your hand" function in Zoom or push *9 by telephone if/when you wish to speak. Then wait until your name is called before speaking.
 - a) The public may provide eComments on any item by emailing to michaela.peters@sdcounty.ca.gov
 - eComments received before 10:00 A.M. on Monday, March 17, 2023, will be forwarded to the Committee and posted online before the meeting. They will also be referenced during the meeting.
 - eComments received during the meeting and before the subject item is concluded will be read into the record by staff subject to the three-minute limit.

1. 11:00 A.M. – CALL TO ORDER BY MODERATOR

- a) Roll Call
- b) Pledge Of Allegiance

2. AGENDA REVIEW

3. COMMITTEE MEMBER REPORTS

4. BUSINESS ITEMS

a) Approval of Meeting Minutes for October 27, 2022 (action)

The Committee will consider draft summary minutes prepared for the last meeting held on October 27, 2022. Staff recommends approval as presented.

Contact: Erica Sellen, Committee Secretary

b) Update on the Proposed “Rainbow Municipal Water District and Fallbrook Public Utility District Reorganizations: Wholesale Water Services” (discussion + possible advisory action)

The Committee will receive an update on the concluding administrative reviews involving two related proposals filed by Fallbrook PUD and Rainbow MWD to detach from the San Diego County Water Authority. The update includes the presentation of a draft agenda report representing staff’s evaluation of the proposals under statute and policy less any specific recommendations. It is requested the Committee receive the update and discuss the draft agenda report and provide feedback as appropriate – including its own requests and/or recommendations for future consideration by the Commission. Staff anticipates the Commission will open a formal hearing on the proposals as early as its June 2023 meeting.

Contacts: Priscilla Mumpower, Analyst II (lead)
Adam Wilson, LAFCO Consultant
Chris Cate, LAFCO Consultant

c) Review of Proposed Workplan and Budget for FY2024 (discussion + possible advisory action)

The Committee will receive a presentation on San Diego LAFCO’s proposed workplan and budget for 2023-2024. The proposed workplan outlines 30 activities in priority order and includes continued and new projects with the latter headlined by a countywide municipal service review on healthcare districts. The proposed budget totals \$2.750 million in matching expenses and revenues. More than fourfifths of total expenses – \$2.261 million – covers operating costs and represents an increase of 12.6% over the current fiscal year. Agency apportionments continue to represent nine-tenths of all operating revenues and set to increase by 13.0% via the combination of additional operating expenses plus reduction in budgeted use of reserves. The item is for discussion and feedback with the option for the Committee to make any formal requests and/or recommendations to the Commission ahead of their anticipated consideration of both items in final form at its May 2023 meeting.

Contact: Keene Simonds, Executive Officer

5. LAFCO EXECUTIVE OFFICER REPORT

6. OPEN EXPRESSION

This time is reserved for any member of the public to address the Committee on germane topics that are not directly part of the agenda. This includes requests for future Committee topics. Individuals are limited to three minutes.

7. ADJOURNMENT

Attest to Posting:

Erica Sellen
Committee Secretary

Any person with a disability under the Americans with Disabilities Act (ADA) may receive a copy of the agenda or a copy of all the documents constituting the agenda packet for a meeting upon request. Any person with a disability covered under the ADA may also request a disability-related modification or accommodation, including auxiliary aids or services, in order to participate in a public meeting.

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

4a

AGENDA REPORT
 Business | Action

March 17, 2023

TO: Cities Advisory Committee
FROM: Erica Sellen, Executive Assistant
SUBJECT: Approval of Meeting Minutes for October 27, 2022

SUMMARY

The Cities Advisory Committee will receive action minutes prepared for the last meeting held on Thursday, October 27, 2022. The minutes are in draft-form and being presented for formal approval with any corrections identified by the Committee.

BACKGROUND

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

DISCUSSION

This item is for the Committee to consider approving action minutes prepared by the Committee Secretary for the October 27, 2022 meeting consistent with the Brown Act.

ANALYSIS

The attached action minutes for the October 27, 2022 meeting accurately reflect the Committee’s deliberations as recorded by the Committee Secretary. A video recording of the meeting has also been posted online at www.sdlafco.org/meetings.

<p>Administration Keene Simonds, Executive Officer 2550 Fifth Avenue, Suite 725 San Diego, California 92103-6624 T 619.321.3380 F 619.404.6508 www.sdlafco.org lafco@sdcounty.ca.gov</p>	<p>Chair Jim Desmond County of San Diego Joel Anderson County of San Diego Nora Vargas, Alt. County of San Diego</p>	<p>Kristi Becker City of Solana Beach Dane White City of Escondido John McCann Alt. City of Chula Vista</p>	<p>Stephen Whitburn, Vice Chair City of San Diego Marni von Wilpert, Alt. City of San Diego</p>	<p>Jo MacKenzie Vista Irrigation Barry Willis Alpine Fire Protection David A. Drake, Alt. Rincon del Diablo</p>	<p>Andy Vanderlaan General Public Harry Mathis, Alt. General Public</p>
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RECOMMENDATION

It is recommended the Committee approve the draft action minutes prepared for the October 27, 2022 meeting as presented and consistent with Alternative One in the proceeding section.

ALTERNATIVES FOR ACTION

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

Alternative One (recommended):

Approve the draft action minutes prepared for the October 27, 2022 meeting with any desired corrections or clarifications.

Alternative Two:

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

PROCEDURES

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

Respectfully,

Erica Sellen
Executive Assistant

Attachment: as stated

DRAFT
SAN DIEGO COUNTY LOCAL AGENCY FORMATION COMMISSION
AD HOC CITIES ADVISORY COMMITTEE
SPECIAL MEETING
OCTOBER 27, 2022

1. CALL TO ORDER BY MODERATOR

Moderator, Executive Officer Keene Simonds called the meeting to order at 2:02 p.m.

2. ROLL CALL

The Committee Secretary performed the roll call with the following attendance recorded. Fifteen cities were represented.

Committee Members Present:

Carlsbad | Paz Gomez (regular)
Chula Vista | Tiffany Allen (regular)
Del Mar | Ashley Jones (regular)
El Cajon | Vince DiMaggio (regular)
Encinitas | Jennifer Campbell (alternate – joined at 2:14 p.m.)
Escondido | Christopher McKinney (alternate – joined at 2:27 p.m.)
Imperial Beach | Tyler Foltz (regular)
Lemon Grove | Lydia Romero (regular – joined at 2:44 p.m.)
National City | Roberto Yano (alternate)
Oceanside | Michael Gossman (alternate)
Poway | Chris Hazeltine (regular)
San Diego | Adrian Granda (regular)
San Marcos | Jack Griffin (regular)
Santee | Marlene Best (regular – joined at 2:06 p.m.)
Vista | John Conley (alternate)

Committee Members Absent:

Coronado | Tina Friend (regular)
La Mesa | Kerry Kusiak (regular)
Solana Beach | Greg Wade (regular)

Carlsbad (Gary Barberio – alternate); Chula Vista (Laura Black – alternate); Coronado (Tony Winney – alternate); Encinitas (Pamela Antil – regular); Escondido (Sean McGlynn – regular); Imperial Beach (Andy Hall – alternate); National City (Brad Raulston – regular); Oceanside (Jonathan Borrego – regular); Poway (Wendy Kaserman – alternate); and Vista (Patrick Johnson – regular).

The following members of San Diego LAFCO staff were present: Executive Officer Keene Simonds; Commission Counsel Holly Whatley; Local Government Analyst II Priscilla Mumpower; Administrative Assistant Michaela Peters; GIS Analyst Dieu Ngu; Consultant Adam Wilson; and Executive Assistant Erica Blom serving as Committee Secretary.

3. AGENDA REVIEW

Executive Officer Keene Simonds stated no changes were needed to the agenda and gave an outline of the day's meeting. The Executive Officer also noted the meeting was being live streamed and provided instructions for members of the public on how to participate.

4. BUSINESS ITEMS

a) Approval of Meeting Minutes for March 30, 2022

The Committee considered draft summary minutes prepared for the last meeting held on March 30, 2022. Recommend approval.

**

On motion by Chris Hazeltine (Poway), seconded by Ashley Jones (Del Mar), and Adrian Granda (San Diego) abstaining, the Committee approved the minutes for the March 30, 2022 meeting.

The following Cities were absent at the time of roll call voting: Encinitas, Escondido, Lemon Grove, and Santee.

b) Update on Fallbrook PUD and Rainbow MWD Reorganizations

The Committee received an update from both Consultant Adam Wilson and Local Government Analyst II Priscilla Mumpower on the Ad Hoc Advisory Committee for the Fallbrook Public Utility District (PUD) and Rainbow Municipal Water District (MWD) reorganizations. The proposals have been administratively combined by the Executive Officer and are expected to be presented to the Commission for formal deliberations as early as February 2023. The update summarized key policy issues underlying the proposals and tentative conclusions reached by staff to date. The update is being presented to the Committee for discussion and feedback. The Committee may also consider making formal recommendations to be forwarded to the Commission.

Consultant Adam Wilson invited comments by registered speakers to address the Committee. The following comment was read into the record by Administrative Assistant Michaela Peters:

- Tom Kennedy, General Manager, Rainbow Municipal Water District

Consultant Adam Wilson welcomed comments from the public to address the Committee. Comments were received from the following persons:

- Jim Madaffer, Madaffer Enterprises, Inc.
- Mark Hattam, Special Counsel, San Diego County Water Authority

Committee discussion followed.

BUSINESS ITEMS CONTINUED...

c) Update Draft Policy Update on Municipal Service Reviews

The Committee received a draft policy update from Executive Officer Keene Simonds regarding the Commission's municipal service reviews. The item is being presented to the Committee for discussion and feedback as part of a formal public review and comment period and ahead of presenting a final document to the Commission at a future meeting. The Committee may also consider making formal recommendations to be forwarded to the Commission.

Committee discussion followed.

The Executive Officer invited comments from registered speakers or members of the public to address the Committee. The Administrative Assistant confirmed there were no registered speakers and confirmed no live e-mail comments were received.

5. OPEN TIME

The Executive Officer invited anyone from the public to address the Committee on a matter not directly related to an agenda item. The Administrative Assistant Michaela Peters confirmed there were no registered speakers and confirmed no live e-mail comments were received.

6. REQUESTS OR COMMENTS BY COMMITTEE MEMBERS

No comments or announcements were made by the Committee members present.

7. ADJOURNMENT

There being no further business to come before the Cities Advisory Committee, the meeting was adjourned at 3:12 p.m.

Attest:

Erica Blom
Committee Secretary

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

4b

AGENDA REPORT

Business | Discussion + Possible Action

March 17, 2023

TO: Cities Advisory Committee

FROM: Priscilla Mumpower, Analyst II
 Adam Wilson, Lead Consultant
 Chris Cate, Consultant

SUBJECT: Update on the Proposed “Rainbow Municipal Water District and Fallbrook Public Utility District Reorganizations: Wholesale Water Services”

SUMMARY

The Cities Advisory Committee (“Committee”) will receive an update on the current administrative reviews underway involving the proposals filed by Fallbrook Public Utility District (PUD) and Rainbow Municipal Water District (MWD) to detach from the San Diego County Water Authority. The update includes the presentation of a draft agenda report representing staff’s evaluation of the proposals under statute and policy less any specific recommendations. It is requested the Committee receive the update and discuss the draft agenda report and provide feedback as appropriate – including its own requests and/or recommendations for future consideration by the Commission. Staff anticipates the Commission will open a formal hearing on the proposals as early as its June 2023 meeting.

BACKGROUND

Reorganization Filings

San Diego LAFCO received separate reorganization proposals in March 2020 from Fallbrook PUD and Rainbow MWD to concurrently (a) detach from the County Water Authority and (b) annex to Eastern MWD and have been administratively combined by the Executive

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Officer. The stated purpose of the reorganizations is to achieve cost-savings for the applicants and their constituents by transitioning the purchase of wholesale water service.

DISCUSSION

This item is for the Committee to receive an update on the administrative reviews currently underway for the Fallbrook PUD and Rainbow MWD reorganization proposals. The update is informed by the attached draft staff report. The report focuses on 18 key topic areas identified as part of LAFCO's duty in satisfying requirements as part of San Diego LAFCO's Policy L-107. These additional topic areas – or considerations – merit Commission attention in assessing the overall timing of the proposed reorganizations and related merits and/or demerits. These other considerations incorporate topics generated during the administrative reviews and by subject agencies, affected agencies, the Cities and Special Districts Advisory Committees as well as the general public. A listing of these eighteen considerations follow – with an analysis provided as part of the draft staff report.

1. MET's Position on the Detachments
2. SANDAG's Position on the Detachments
3. Financial Differences Between Roll-Offs v. Detachments
4. Detachments' Impact on CWA Credit Rating
5. Financial Impacts from Detachments on Member Agencies + Ratepayers
6. Assessing the Significance of the Financial Impacts to CWA + Ratepayers
7. Merits and Options to Impose Exit Fees and Other Payments
8. Identifying the Appropriate Length of an Exit Fee
9. LAFCO's Authority to Require Exit Fees
10. Discounting Exit Fees
11. Risk to Applicants in Greater Reliance on Bay Delta
12. Risk to Applicants in Changes to MET Wholesale Rates
13. Detachments' Impact on CWA Voting Power at MET
14. Detachments' Effect on Pure Water and Other Reuse Projects
15. Emergency Supplies During a Catastrophic Event
16. Effect of Stipulated CEQA Settlements on LAFCO
17. Determining the "Affected Territory" for Election Purposes
18. Role of Agriculture in the Proposals + LAFCO Decision-Making

This update provides the Committee an opportunity to review the draft agenda report – specifically staff's analysis on the proposals – and ask questions, provide comments, and/or make recommendations in step with staff completing a final administrative review and presenting the proposals to the Commission as early as June 2023.

ANALYSIS

See attached draft staff report.

RECOMMENDATION

Review and discuss, as requested.

ALTERNATIVES FOR ACTION

None. Any action by the Committee – including making formal recommendations to the Commission and/or LAFCO staff – can be accommodated through a successful motion.

PROCEDURES

This item has been placed on the Committee’s agenda for discussion and possible action as part of the business calendar. The following procedures are recommended in the consideration of this item:

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

Respectfully,



Priscilla Mumpower
Analyst II

Attachment:

- 1) Draft Staff Report: Fallbrook PUD and Rainbow MWD Reorganizations

Cities Advisory Committee

March 17, 2023 Special Meeting

Agenda Item No. 4b | Update on Fallbrook PUD and Rainbow MWD Reorganizations

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

6a

AGENDA REPORT
 Public Hearing

XXXXXXX

TO: XXXXXXXXX

FROM: Priscilla Mumpower, Analyst II
 Carolanne Ieromnimon, Analyst I
 Chris Cate, Commission Consultant
 Adam Wilson, Commission Consultant

SUBJECT: COMBINED PUBLIC HEARING
Proposed “Rainbow Municipal Water District and Fallbrook Public Utility District Reorganizations: Wholesale Water Services” | Concurrent Annexations to Eastern Municipal Water District and Detachments from San Diego County Water Authority with Related Actions (RO20-05 & RO20-04)

SUMMARY

The San Diego County Local Agency Formation Commission (LAFCO) will consider two separate reorganization proposals filed by Fallbrook Public Utility District (PUD) and Rainbow Municipal Water District (MWD) that have been administratively combined for hearing purposes by the Executive Officer. The proposals seek LAFCO approvals to transfer wholesale water service responsibilities within the applicants’ jurisdictional boundaries from the San Diego County Water Authority to Eastern MWD. The purpose of the proposals is to achieve cost-savings to the applicants and their retail ratepayers based on the difference in charges between the two wholesalers. LAFCO staff independently estimates the average monthly cost-savings for the applicants’ ratepayers is \$23.50 per household. LAFCO staff separately estimates the average monthly cost-increases to the remaining County Water Authority member agencies’ ratepayers at \$2.20 per household.

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As detailed, staff believes three merited alternative actions are readily available to the Commission. The first alternative involves approving both proposals with conditions – including requiring exit fees to be paid by the applicants to the County Water Authority. The second alternative involves deferring consideration of the proposals until the completion of a scheduled municipal service review on the County Water Authority. The third alternative involves disapproving the proposals without prejudice

BACKGROUND

Application Filings & Requested Applicants’ Terms

San Diego LAFCO has received separate resolution of applications submitted in March 2020 from Fallbrook PUD and Rainbow MWD each requesting Commission approval to transfer wholesale water supply responsibilities within their jurisdictional boundaries from the County Water Authority to Eastern MWD. The resolution of applications were both approved by unanimous votes. The proposals have been administratively combined for processing and hearing purposes by the Executive Officer with the applicants’ consent. The proposals individually seek two concurrent jurisdictional changes as follows:

- Fallbrook PUD is requesting the detachment of the 28,193 acres comprising its jurisdictional boundary from the County Water Authority and concurrent annexation to Eastern MWD.
- Rainbow MWD is requesting the detachment of the 50,857 acres comprising its jurisdictional boundary from the County Water Authority and concurrent annexation to Eastern MWD.

Matching approval terms are included in both resolution of applications. Requested terms include limiting any voter confirmations to electors in the Fallbrook PUD and Rainbow MWD jurisdictional boundaries. The applicants also request the County Water Authority be allowed to continue to collect any unpaid bonded indebtedness on properties within the Fallbrook PUD and Rainbow MWD jurisdictional boundaries to the extent allowed under the law.

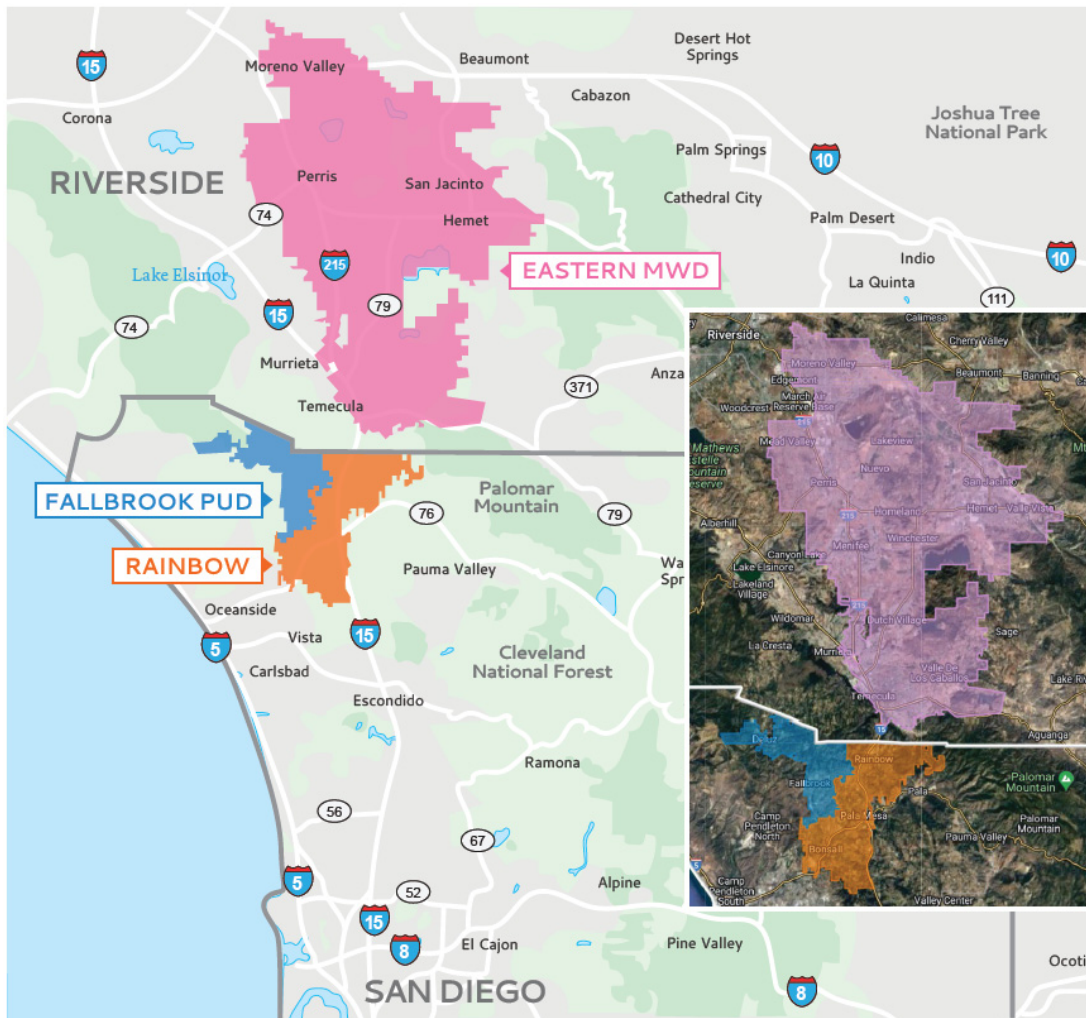
The underlying effects of the proposals if approved under LAFCO statute is two-fold. First, the County Water Authority’s legal authority, rights, and duties to exercise a wholesale water supply function within the affected territory would cease. The County Water Authority would no longer receive any revenues collected on the property tax rolls within Fallbrook PUD and Rainbow MWD’s jurisdictional boundaries with additional details footnoted.¹ Second, Eastern MWD would receive legal authority to exercise a wholesale water supply

¹ The portion of AB8 revenue (i.e., the portion of the 1% in property tax currently allocated to the County Water Authority) would be redirected in full to Eastern MWD consistent with an existing master property tax agreement adopted by the County of San Diego. The amount of AB8 revenue collected by the County Water Authority in 2021-2022 totals \$0.173 million within Fallbrook PUD and \$0.209 million within Rainbow MWD. County Water Authority also collects \$0.266 million and \$0.458 million annually in unitary and availability charges within these respective jurisdictional boundaries. These latter revenue sources would be eliminated if the proposals are approved. Additional discussion on the property tax exchange is provided in proceeding sections.

function within the affected territory with the corresponding ability to seek future voter approval to establish new fees, charges, and/or parcel assessments.²

Affected Territory

The affected territory as submitted purposefully aligns with the existing jurisdictional boundaries of Fallbrook PUD and Rainbow MWD and totals 79,050 acres – or 123.5 square miles – with 99% involving unincorporated lands.³ This acreage total represents 3.4% of all San Diego County. The estimated population in the affected territory is 56,116 with 32,781 registered voters. The total assessed value of the affected territory is 8.99 billion and divided between Fallbrook PUD and Rainbow MWD at \$4.078 and \$4.912 billion, respectively.⁴ An aerial map of the affected territory and its regional setting follows.



² Eastern MWD does not presently collect any fees, charges, or assessments on the tax roll.

³ The affected territory is entirely unincorporated with the exception of an approximate 859.0-acre area within Rainbow MWD that overlaps with the City of Oceanside’s Morro Hills neighborhood.

⁴ The Fallbrook community anchors the affected territory and serves as the economic and social center for the other subject communities that include Bonsall, De Luz, Gopher Canyon, Live Oaks, Rainbow Valley, and Winterhaven. The affected territory’s exterior boundary is framed by Camp Pendleton to the west, Pala to the east, Valley Center to the south, and Riverside County to the north. The population density ratio is 0.7 residents for every one acre and reflects the semi-rural character prevalent within most of the affected territory and the historical relationship with agriculture and specifically commercial nursery flower, citrus, and avocados groves.

Subject Agencies

The proposed reorganizations before San Diego LAFCO involves two subject agencies: Eastern MWD and County Water Authority.⁵ A summary of the subject agencies in terms of governance, population, municipal functions, and financial standings follow.

- **Eastern MWD** is an independent special district governed by a five-member board of directors. An appointed general manager oversees day-to-day activities, and this includes a current full-time budgeted staff of 642.0. Eastern MWD was formed in 1950 with an existing jurisdictional boundary spanning 542 square miles and includes the Cities of Hemet, Moreno Valley, Murrieta, Perris, and Temecula. The estimated jurisdictional resident population is 816,000. Eastern MWD's active municipal functions and associated classes involve potable water (retail and wholesale), wastewater (collection and treatment), and recycled water (retail). Approximately 84.3% of water supplies presently accessed by Eastern MWD for wholesaling or retailing are drawn from MET (Colorado River and Sacramento Bay-Delta) with the remainder coming from local groundwater. The most recent audit shows Eastern MWD's net position at \$1.939 billion as of June 30, 2022. This accrued amount reflects an overall three-year change of 11.3% and includes an unrestricted portion of \$307.290 million. The unrestricted amount is adjusted to \$399.771 million less pension and related retiree dedications and equals 11.6 months of recent actuals. The current Board officers and senior management roster follows.

President Phillip E. Paule
Vice President Randy Record
General Manager Joe Mouawad
Deputy General Manager Laura M. Nomura
Deputy General Manager Nicolas Kanetis

- **County Water Authority** is an independent special district governed by a 36-member board of directors that represent 24 local member agencies. An appointed general manager oversees, and their senior staff oversees day-to-day activities, and this includes a current full-time budgeted staff of 249.50. The County Water Authority by special legislation in 1944 with an existing jurisdictional boundary spanning 1,486 square miles and includes all 18 cities in San Diego County. The estimated jurisdictional population is 3,224,678. The County Water Authority's lone active municipal service function is water (wholesale class). Approximately 75% of all wholesale supplies are drawn from the Imperial Irrigation District (Colorado River). Another 15% of wholesale water supplies are drawn from the County Water Authority's own desalination facility in Carlsbad. The remaining 10% of wholesale supplies are drawn from MET (Colorado River and Sacramento Bay Delta). The most recent audit shows County Water Authority's net position at \$1.625 billion as of June 30, 2022. This accrued amount reflects an overall three-year change of 1.9% and includes an unrestricted portion of

⁵ Reference to Government Code § 56077.

\$318.232 million. The unrestricted amount is adjusted to \$364.076 million less pension and related retiree dedications and equals 5.5 months of recent actuals. The current Board officers and senior management roster follows.

Chair Mel Katz (City of Del Mar)
Vice Chair Nick Serrano (City of San Diego)
Secretary Frank Hilliker with (Lakeside Water District
General Manager Sandra Kerl
Deputy General Manager Dan Denham
Assistant General Manager Tish Berge

Affected Local Agencies

The affected territory lies within the jurisdictional boundaries and/or spheres of influence of 21 local agencies directly subject to San Diego LAFCO. These agencies qualify as “affected local agencies” relative to the proposed reorganization and listed below.⁶

- City of Oceanside
- County Service Area No. 135 (regional communications)
- County Service Area No. 81 (parks)
- Deer Springs Fire Protection District
- Fallbrook Regional Healthcare District
- Metropolitan Water District of Southern California
- Mission Resource Conservation District
- Morro Hills CSD
- North County Fire Protection District
- North County Cemetery District
- Oceanside Small Craft Harbor District
- Palomar Health Healthcare District
- Resource Conservation District of Greater San Diego County
- San Diego County Water Authority
- San Diego County Fire Protection District
- San Diego County Flood Control District
- San Diego County Street Lighting District
- Tri-City Healthcare District
- Upper San Luis Rey Resource Conservation District
- Valley Center Cemetery District
- Vista Fire Protection District

The affected territory also lies within the following school and college districts and received notice of the reorganization proposals: Valley Center-Pauma Unified School District and Vista Unified School District.

⁶ Reference to Government Code 56014

Proposals’ Preambles

The following actions were taken by San Diego LAFCO either in anticipation or in response to the proposed reorganization filings in consultation with the applicants and subject agencies.

- Preamble No. 1
Approval of Memorandum of Understanding with Riverside County LAFCO
-

At its October 2019 meeting, and based on preliminary discussions with the applicants, San Diego LAFCO entered into a memorandum of understanding (MOU) with Riverside LAFCO to establish responsibilities should the proposal filings proceed forward. The MOU delegates San Diego the responsibility to process any proposal submittals and prepare related analyses – including, but not limited to – a municipal service review on Eastern MWD to inform a conforming sphere of influence action. The MOU specifies San Diego shall actively consult with Riverside LAFCO in processing the reorganizations and related studies.

- Preamble No. 2
Approval for Alternative Conducting Authority Proceedings
-

At its May 2020 meeting, San Diego LAFCO approved requests from the County Water Authority to apply alternative conducting authority proceedings should the Commission approve Fallbrook PUD and/or Rainbow MWD’s reorganization proposals. Approval of the alternative process was based on the County Water Authority meeting certain criteria under statute. The substantive result means any approval of the proposals will bypass standard protest proceedings in LAFCO statute and directly proceed to a confirmation election of registered voters consistent with the County Water Authority’s principal act.⁷

- Preamble No. 3
Establishment of an Advisory Committee
-

At its June 2020 meeting, San Diego LAFCO approved the establishment of an advisory committee to directly assist the Executive Officer in the administrative review of the reorganization proposals. The establishment of the “Ad Hoc Committee” included the Commission setting the composition at 10 members with the overall task of addressing disputes among the subject agencies consistent with the provisions of the Commission’s Legislative Policy 107 (L-107). The Ad Hoc Committee roster was subsequently finalized by the Executive Officer with consultant Adam Wilson contracted to serve as moderator. The Ad Hoc Committee membership as of the date of this agenda report follows.

⁷ The Commission separately took no action involving two other related requests by the County Water Authority to suspend work on the reorganization proposals due to COVID-19 and condition any future approvals on an expanded vote in all member agencies’ jurisdictions.

Ad Hoc Committee Moderator Adam Wilson			
Member	Title	Agency	Representation
Jack Bebee	General Manager	Fallbrook PUD	Applicant
Tom Kennedy	General Manager	Rainbow MWD	Applicant
Nick Kanetis	Assistant General Manager	Eastern MWD	Subject Agency
Sandy Kerl	General Manager	County Water Authority	Subject Agency
Gary Croucher	Board Member	County Water Authority	CWA Appointee
Nick Serrano *	Board Member	County Water Authority	CWA Appointee
Lydia Romero	City Manger	City of Lemon Grove	Cities Committee
Kimberly Thorner	General Manager	Olivenhain MWD	Districts Committee
Brian Albright	Parks Director	County of San Diego	At-Large
Keith Greer **	Regional Planner	SANDAG	At-Large

* Successor appointee following resignation of David Cherashore

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- Preamble No. 4
Completion of the Fallbrook Region Municipal Service Review

At its March 2022 meeting, San Diego LAFCO received a final report on a scheduled municipal service review on the Fallbrook region and the local agencies operating therein subject to the Commission’s oversight – including Fallbrook PUD and Rainbow MWD. The final report and its accompanying prospectus outline nine central conclusions relative to LAFCO’s growth management tasks and interests that collectively address the availability, need, and adequacy of municipal services in the Fallbrook region and based on data collected and analyzed between 2016 and 2020. Markedly, this includes finding Fallbrook PUD and Rainbow MWD have experienced clear and measurable financial stress during the report period and reflected in substantive declines in their liquidity, capital, and margin levels. The Commission formally received the final report and in doing so attested to its completeness in making the required determinations under the municipal service review statute, which were separately adopted by resolution.

DISCUSSION

This item is for San Diego LAFCO to consider the merits of the proposed reorganizations and the principal actions to transfer wholesale water service responsibilities within the affected territory – Fallbrook PUD and Rainbow MWD’s jurisdictional boundaries – from the County Water Authority to Eastern MWD. The Commission may consider exercising discretion to modify the physical scope of the reorganizations by adding and/or subtracting lands. The Commission may also consider applying conditions so long as it does not directly regulate land uses, property developments, or subdivision requirements. Additional

State law delegates broad discretion to LAFCOs in acting on proposed jurisdictional changes. Within this broad discretion, statute orients LAFCOs’ decision-making to consider the proposals’ overall effects in facilitating accountable and efficient local government while also recognizing the potential to weigh competing goals.

discussion on the proposals’ purpose, ancillary development considerations, and the Commission’s focus under statute and local policy follows.

Proposals’ Purpose

The stated purpose of the proposed reorganizations before San Diego LAFCO is to accommodate cost-savings for the two applicants and by extension their retail ratepayers by transitioning wholesale water services within their jurisdictional boundaries from the County Water Authority to Eastern MWD. The immediate timing of the proposals follows the applicants negotiating agreeable terms with Eastern MWD for wholesale water service and memorialized in an MOU signed in August 2019.⁸ The MOU specifies Eastern MWD offers to provide wholesale supplies to the applicants should the reorganizations be approved at the current MET rate plus a commodity charge of \$11 per acre foot. The substantive effect would adjust the current wholesale supply costs to the applicants from \$1,608 under the County Water Authority to \$1,195 per acre-foot under Eastern MWD – a savings of (34.6%).

The applicants’ proposals similarly attest the following four key justifications for filing their respective reorganization proposals with LAFCO:

1. The reorganizations will produce cost-savings for the applicants and their ratepayers by only paying for infrastructure used for the delivery of wholesale water from Eastern MWD.
2. The applicants’ direct access to MET eliminates the need for new infrastructure costs to their ratepayers to accommodate the change in wholesale water service.
3. The applicants’ estimate the cost-impact to the County Water Authority and its other retail member agencies will be limited with a monthly household increase of \$0.40 cents or \$5.00 per year.
4. The applicants’ consultant analysis confirms Eastern MWD has a reliable water supply to meet their ratepayers’ respective needs going forward.

Current and Planned Development & Related Policies

No development plans are associated with the reorganization proposal. Exactly 99.0% of affected territory is unincorporated and under the land use authority of the County of San Diego and its adopted policies. Specific development policies for this portion of the affected territory are largely delegated in the County General Plan to the Bonsall, Fallbrook, and Rainbow Community Plans, which are three of 22 designated communities identified by the Board of Supervisors meriting stand-alone land use provisions. These three Community Plans collectively cover more than four-fifths of the affected territory and implemented with the

⁸ The applicants’ MOU with Eastern MWD extends through August 2025.

direct participation of separately elected advisory sponsor groups.⁹ The principal function of the sponsor groups is to serve as information links between the communities and the County on matters dealing with planning and land uses within their respective areas. Premising land use goals within each Community Plan follows.

Fallbrook Community Plan

“Perpetuate the existing rural charm and village atmosphere surrounded by semi-rural and rural lower density development, while accommodating growth.” G-LU-1.1

Bonsall Community Plan

“A unique balance of Bonsall’s rural agriculture, estate lots, ridgelines, equestrian uses, and open space land uses in the community, including open space and low-density buffers separating the community from adjacent cities and unincorporated community and new development that conserves natural resources and topography.” G-LU-1.1

Rainbow Community Plan

“Land use that retains and enhances the rural character of the community.” G- LU-1-1.

Commission Focus

Three central and sequential topics underlie San Diego LAFCO’s consideration of the proposed reorganizations and the decision to approve, approve with conditions, or disapprove relative to facilitating accountable and efficient local government. These policy items ultimately take the form of determinations and orient the Commission to consider the interrelated merits of (a) accommodating sphere of influence actions for both subject agencies, (b) timing of the reorganization, and (c) whether modifications or approval terms are appropriate. Consideration of these three policy items – markedly – includes the Commission balancing competing interests and goals as needed.

ANALYSIS

San Diego LAFCO’s analysis of the proposed reorganizations is divided into two subsections. The first subsection evaluates the central topics referenced in the preceding section. This involves analyzing the merits of conforming sphere of influence actions for the two subject agencies and the role spheres serve as the Commission’s principal planning tool in directing orderly growth and development. This also involves assessing the overall public value of the reorganizations’ themselves and their timing under statute and policy with the latter marked by addressing the inter-jurisdictional disputes underlying both proposals consistent with Policy L-107. Potential modifications and terms – including those requested by the applicants and subject agencies – round out the first subsection’s analysis. The second subsection

⁹ The remaining portion of the unincorporated lands comprising the affected territory is covered under the incomplete Pendleton-De Luz Community Plan.

considers other germane statutory issues and includes making related findings under the California Environmental Quality Act (CEQA).

Central Topics

Item No. 1 |

Conforming Sphere of Influence Actions

The proposed reorganizations necessitate San Diego LAFCO to consider conforming sphere of influence actions for the two subject agencies to achieve consistency with the requested jurisdictional changes as required under statute. Consideration of the amendments are premised on LAFCO’s statutory responsibility to designate spheres to demark the affected agencies’ appropriate jurisdictional boundary and/or service areas now and into the immediate future as determined by the Commission. This includes demarking the Commission’s expectation of exclusive responsibilities for one or more municipal services.

Specific actions prompted by the proposed reorganizations involve (a) establishing a sphere for Eastern MWD specific to its wholesale function to include the affected territory and concurrently (b) removing these lands from the County Water Authority sphere. The proceeding analysis focuses on the lead action involving Eastern MWD as the receiving entity and organized to consider three related factors necessitated under statute and local policy. The statutory factors are divided between macro and micro

The analysis of the conforming sphere actions is three-fold. The first two factors tie to statute and involve considering Eastern MWD’s overall standing via a recent municipal service review plus addressing the notional relationship between Eastern and the affected territory. The third factor ties to local policy and LAFCO’s use of spheres for various policy purposes in San Diego County.

considerations and involve overall agency information analyzed in a municipal service review paired with addressing the notional relationship between the agency and affected territory.¹⁰ Local policies involve consideration of L-102 and its provisions to guide sphere actions in San Diego County. Analysis of these three sphere factors follow.

- Sphere Factor No. 1:
Consideration of a Municipal Service Review

Statute requires LAFCO to prepare municipal service reviews to inform its connected planning task to establish or update local agencies’ spheres of influence. The statute further directs LAFCO perform sphere updates every five years as needed. The most recent municipal service review germane to these proposals covers Eastern MWD and was completed by Riverside LAFCO in May 2019.¹¹ The document evaluates Eastern MWD’s full complement of active service functions (potable water, wastewater, and

¹⁰ Reference to Government Code Sections 56430 and 56425, respectively.

¹¹ Municipal service reviews serve as a centerpiece to the most recent rewrite of LAFCO statute in 2001 and represent comprehensive studies on the level, range, and performance of governmental services provided within defined geographic areas. LAFCOs are tasked with preparing municipal service reviews to explicitly inform subsequent sphere of influence actions and done so to provide the Commission a holistic assessment of the subject agencies with respect to certain designated topics. These designated topics are headlined by growth and population projections, infrastructure needs and financial standing. LAFCOs are relatedly required to update spheres every five years.

recycled water) as part of a regional report on western Riverside County. The municipal service review largely draws on data collected between 2014 and 2018 and generally affirmative with regards to assessing Eastern MWD’s overall service capacities and related administrative controls.

In consultation with Riverside LAFCO through the MOU process, and as part of the administrative reviews of the applicants’ reorganization proposals, San Diego LAFCO has prepared an addendum to the municipal service review. The addendum provides gap analysis on Eastern MWD with specific attention to its potable water function and financial standing through data collected between 2017 to 2021. Among other topics, and as outlined in the accompanying prospectus, the addendum concludes Eastern MWD maintains adequate infrastructure to meet current and anticipated potable water demands (retail and wholesale) with available capacity to accommodate additional growth. This conclusion is reflected in average annual and daily system demands for Eastern MWD equaling less than one-third of its available capacities (supplies and associated infrastructure) during the 60-month period. The addendum also concludes Eastern MWD is fiscally sound overall and marked by finishing with positive total margins in the last four of the five years covered.

- Sphere Factor No. 2:
Consideration of the Agency-Affected Territory Relationship

The Legislature prescribes consideration of five factors anytime LAFCOs act on spheres of influence. These factors parallel the macro topics in municipal service reviews with a notional focus on the relationship with the affected territory – including service needs and adequacy of available services. The factors also orient the Commission to broadly consider the relationship between current and planned land uses in the affected territory plus – and as needed – effects on qualifying disadvantaged unincorporated communities. The factors and staff analysis follow.

- With respect to **present and planned land uses**, the affected territory as submitted spans 79,050 acres with 99% being unincorporated.¹² Close to three-fourths of the affected territory is subject to the County of San Diego’s Fallbrook Community Plan.¹³ Four distinct subregions comprise the affected territory and include Bonsall, De Luz, Fallbrook, and Rainbow. Fallbrook and its “village” setting headlines the four subregions with its cultural, retail, medical offices, schools, and entertainment venues that residents in the other subregions regularly patron. The region overall remains mostly rural in character outside Fallbrook’s “town” core and continues to function as a community separator between the more urban uses to the north (Temecula) and south (Escondido) along the Interstate 15 corridor. As addressed in LAFCO’s recent municipal service review on the Fallbrook region, it appears the affected territory is at a pivot point with respect to substantive changes in

¹² The remaining portion of the affected territory – totaling 859 acres – lies in Oceanside and part of the Morro Hills neighborhood.

¹³ The Fallbrook Community Plan is premised on the following land use goal: “perpetuate the existing rural charm and village atmosphere surrounded by semi-rural and rural lower density development, while accommodating growth.”

development and land uses. Specifically, the affected territory’s historical immersion in agriculture with avocados being the primary cash crop over the last 60 plus years appears to be waning. Measuring this transition is marked by the loss of nearly one-fifth – or (18.7%) – of the total number of avocado acreages in the affected territory over a recent five-year period. Some of this acreage has already been converted into housing with nearly 600 new units added over the same five-year period; an amount equal to an overall 2% increase in the housing stock and above historical averages. More of this acreage appears to have been left fallow and suggests – among other items – the cost of growing avocados in the “Avocado Capital of the World” for many local farmers has become unsustainable.

- With respect to **present and probable need for one or more public services**, the affected territory’s existing and planned land uses merit a full range of municipal services. The present needs tie directly to the affected territory’s current estimated population of 56,116, which makes it the one of the largest unincorporated communities with a resident total that exceeds 7 of the 18 cities in San Diego County. It is also reasonable to assume the need for a full range of municipal services will further intensify given the expectation of further growth and development within the affected territory. This assumption ties to the critical demand for housing in San Diego County paired with the region’s available land supply with more than two-fifths of private acreage remaining undeveloped paired with existing jurisdictional access to wholesale water supplies. Further, and whether for residential or agricultural purposes, the lack of available local water resources accentuates the paramount importance of imported supplies and related infrastructure to the area.
- With respect to **overall adequacy of the agency’s public services**, a comprehensive evaluation of Eastern MWD was most recently prepared as part of a regional municipal service review by Riverside LAFCO. The municipal service review was completed in May 2018 and evaluates Eastern MWD’s full complement of active service functions – potable water, wastewater, and recycled water – and largely based on data collected between 2014 and 2018. This municipal service review is generally affirmative with regards to assessing Eastern MWD’s overall service capacities and administrative controls without the identification of any substantive infrastructure deficiencies. An addendum to the municipal service review prepared by San Diego LAFCO provides gap analysis to include data up to 2021 and similarly attests to Eastern MWD’s overall service capacities and related administrative controls specific to its potable water function.
- With respect to **social or economic communities of interest if relevant to the agency**, the affected territory’s existing development and land uses largely tie back to earlier annexations to the County Water Authority and Metropolitan Water District of Southern California (“MET”). These annexations and the associated availability of wholesale water supplies made available to the affected territory materially underlies its social and economic welfare. It is reasonable to assume these social and economic communities of interests within the affected territory

tied to the provision of wholesale water supplies are transferable and would be readily assumed by Eastern MWD should the reorganizations be approved.

- With respect to **present and probable need for agency services involving any disadvantaged unincorporated communities** within the existing sphere of influence, two distinct considerations are identified. First, there are currently 22 distinct qualifying areas – or DUCs – located within Eastern MWD’s existing sphere based on information independently evaluated by Riverside LAFCO. These DUCs range in size from 13.3 to 4,232.2 acres in size with the latter involving the Good Hope community with an estimated resident population of 8,681. Eastern MWD currently serves 5 of these 22 existing DUCs. Second, there are two DUCs located within the affected territory – comprising approximately 15% and 3% of Fallbrook PUD’s and Rainbow MWD’s jurisdictional boundaries – and generally cover the Fallbrook Village and Gopher Canyon communities.
- Sphere Factor No. 3:
Consideration of Policy L-102

San Diego LAFCO’s policies guiding sphere of influence actions are primarily codified under L-102. This policy was adopted in August 1990 and last substantively updated in June 2000. It directs the Commission to utilize spheres to guide deliberations on future changes of organizations and in doing so – and among other growth management objectives – help reflect and preserve community identities. The policy further directs LAFCO to use spheres to discourage duplication of municipal services and similarly encourages local agency consolidations, whether functional or political. The policy separately includes a provision for LAFCO to maintain a sphere for the County Water Authority that is coterminous with the spheres of its member agencies.¹⁴

The sphere of influence actions necessary to accommodate the proposed reorganizations – and precisely establishing a sphere for Eastern MWD to include the affected territory while removing the lands from the County Water Authority sphere – conforms with L-102. Most notably, the sphere actions would continue to designate one agency – Eastern MWD – as the chosen singular wholesale water service provider for the affected territory. The sphere actions would also establish a new and otherwise meritorious policy statement consistent with L-102 by recognizing a cohesive identity within the affected territory that is substantively distinct from adjacent areas.

¹⁴ The referenced policy provision deemphasizes the stand-alone function of the County Water Authority’s sphere of influence under statute given any changes made therein are responses to changes to the spheres of the member agencies.

**CONCLUSION |
MERITS OF CONFORMING SPHERE OF INFLUENCE ACTIONS**

The conforming sphere of influence actions to accommodate the Commission separately considering the proposed reorganizations appear sufficiently justified under both statute and local policy. Justification is marked by the preceding analysis and largely premised on two related assumptions. First, it is assumed the Commission determines the municipal service review and associated addendum prepared by Riverside and San Diego LAFCOs, respectively, adequately informs the decision-making process in evaluating the overall service and fiscal standing of Eastern MWD with respect to its potable water function. Second, it is assumed the Commission determines the affected territory shares relevant communities of interests that are distinct from adjacent lands in San Diego County and can be appropriately preserved through placement in Eastern MWD’s sphere. Nonetheless, if either of these premising assumptions misalign with Commission preferences, it would be appropriate to disapprove or term the conforming sphere actions and remedy as needed.

**Item No. 2 |
Reorganizations’ Timing**

San Diego LAFCO’s consideration of the proposed reorganizations’ timing draws on analyzing baseline factors required in statute as well as applicable policies set by the Commission and related project-specific considerations identified by the Executive Officer. Most of the baseline factors in statute focuses on disclosing and otherwise addressing compatibility issues with external goals and policies of other State, regional, and local agencies as well as assessing the ability of Eastern MWD – as the receiving agency – to provide services.¹⁵ Applicable local policies prompted for consideration are headlined by L-107 and its attention to addressing jurisdictional disputes, which are germane to the proposals given the numerous objections raised by the County Water Authority and some of its member agencies. LAFCO staff has also identified several other considerations underlying the proposal’s timing and merits/demerits therein based on the administrative reviews of the proposals.

The analysis of the reorganizations’ timing is three-fold. The first factor ties to statute and involves addressing multiple topics with most directed towards Eastern MWD’s ability to provide wholesale water services to the affected territory. The second factor involves addressing consistency with local policies and headlined by L-107 and its provisions to address jurisdictional disputes. The third factor involves other local considerations identified by LAFCO staff.

Analysis of these three related timing factors follows.

¹⁵ Reference to Government Code Section 56668.

- Timing Factor No. 1:
Consideration of Eastern MWD’s Ability to Serve

State law prescribes the mandatory consideration of certain and multifaceted factors anytime LAFCOs consider jurisdictional changes. These factors range in substance from disclosures – such as the affected territory’s current land uses, assessed values, registered voter counts, and so on – to discretionary analyses. This latter category is highlighted by evaluating the proposed jurisdictional changes’ relationship to community needs as well as the service capacities and related financial resources of Eastern MWD as the receiving agency in contrast to baseline conditions. A summary of key conclusions generated in the review of these discretionary matters for the proposed reorganizations regarding (a) service needs, (b) service availability and capacities, and (c) related financial considerations follow.

- With respect to **service needs**, the provision of imported wholesale water supplies associated with the proposed reorganizations has proven necessary due to the overall limitation on local sources in the affected territory. These needs underlie the previous actions by both applicants’ governing boards to pursue annexations to the County Water Authority to establish access to imported water supplies from the Colorado River and later Sacramento-Bay Delta.¹⁶ The applicants assert the increasing costs for imported water supplies from the County Water Authority – however – have begun to adversely affect the quality of life within the affected territory, and most notably for agricultural users. The applicants quantify the adverse impact by estimating an average cost increase in water rates at 8% annually over the preceding decade. The applicants relatedly attribute the size of the cost increases in large part to sustaining an expanding County Water Authority infrastructure portfolio that does not proportionally benefit the affected territory.

There are no disagreements that imported wholesale water supplies remain a critical need within the affected territory. These needs are paramount within Rainbow MWD given their absolute dependency – now and within the foreseeable future – on imported supplies given the lack of alternative local resources. These needs remain present also within Fallbrook PUD, albeit to a lesser extent. This distinction ties to Fallbrook PUD’s recent investment in a conjunctive use project with Camp Pendleton that has the potential to provide PUD annually up to 4,200 acre-feet of potable water – or 46% of its current average annual demand – from the Santa Margarita Watershed.

There similarly appears to be sufficient evidence that the quality of life within the affected territory has been adversely affected by the otherwise significant rise in the County Water Authority’s imported water supplies. The adverse effects tied to the rise in imported water costs on agricultural users also appears substantiated. This comment draws on the recent municipal service review prepared on the

¹⁶ The Fallbrook Public Utility District annexed upon their formation in 1944. The Rainbow Municipal Water District annexed shortly after their formation and in 1954 to provide access to Colorado River water supplies.

Fallbrook region (2022) and related analysis showing an estimated loss of nearly (one-fifth) of avocado acreage in the affected territory over the preceding five-year period. Further, and irrespective of other market factors, the increase in imported water costs has more than **FACTOR** the corresponding change in the per pound price of avocados in California in the last five years.¹⁷

- With respect to **service availability and capacities**, the approval of the reorganizations would transfer wholesale water supply responsibilities – including all rights and duties – within the affected territory from the County Water Authority to Eastern MWD. The mechanics of this transfer are addressed in the applicants' plans of service and draw on a three-party MOU with Eastern MWD. Key items covered in the applicants' plans of service filed with LAFCO regarding access, supply and reliability, and contingency planning follows.

Access. Fallbrook PUD currently maintains four connections to receive wholesale water supplies from County Water Authority via MET's Skinner Water Treatment Facility in Riverside County. Three of these connections are to pipelines owned by MET that extend into San Diego County. The fourth connection involves a pipeline owned by the County Water Authority. Post reorganization approval, Fallbrook PUD states it would continue to receive wholesale supplies from Skinner via Eastern MWD using only the three connections owned by MET. (The fourth connection to pipeline owned by the County Water Authority would be abandoned.) Separately, Rainbow MWD currently maintains eight connections to receive wholesale supplies from the County Water Authority. These connections are equally divided between four pipelines owned by MET serving the northern distribution system and four pipelines owned by the County Water Authority serving the southern distribution system. Like Fallbrook PUD, nearly all of the wholesale water delivered to Rainbow MWD arrives from Skinner. However, and unlike Fallbrook PUD, Rainbow MWD can also receive wholesale water for its southern distribution system via the County Water Authority's Twin Oaks Treatment Facility under certain hydraulic conditions. Post reorganization approval, Rainbow MWD would exclusively receive wholesale supplies from Skinner via Eastern MWD using all eight existing connections – including the four pipelines owned by the County Water Authority under a future wheeling agreement. If a wheeling agreement is not reached, Rainbow MWD would use its existing distribution system to pump and convey wholesale water from Eastern MWD – via four northern connections – as well as construct new infrastructure to ensure service delivery to its southern service area. Separately, a

The applicants' attest no new infrastructure is needed to access wholesale water from Eastern MWD with one qualifier. This qualifier involves Rainbow MWD and its preference to enter into a wheeling agreement with County Water Authority to continue to access four connection points along the San Diego Aqueduct to dependably supply Rainbow's southern distribution system. Absent a wheeling agreement, Rainbow would need to build new infrastructure.

¹⁷ According to the California Association of Avocados Growers, the average price per pound over the last five years (2017 to 2021) has been \$7,642. This amount represents a 13.8% increase over the prior five-year average (2012 to 2016) price per pound of \$6,716.

wheeling agreement involving the City of Oceanside’s Weese Filtration Plant will also need to be executed.¹⁸

Supply and Reliability. Fallbrook PUD and Rainbow MWD currently receive wholesale water supplies from County Water Authority that are imported from the Colorado River and Sacramento Bay-Delta. The quantity of supplies is unrestricted and based on overall availability. Until recently, the County Water Authority’s imported supply from the Colorado River was exclusively purchased through MET. This changed in 2003 when the County Water Authority began to separately purchase Colorado River supplies also from the Imperial Irrigation District (ID), which have high-priority rights in the event of limitations enacted by the Federal government.¹⁹ Access to purchased Colorado River supplies from Imperial ID, however, remains entirely dependent on MET conveyance facilities at this time.²⁰ The applicants attest to the overall reliability of the County Water Authority’s wholesale supplies relative to their demands. This includes attesting neither the County Water Authority or MET have taken actions to curtail the availability of supplies to its member agencies at any time during the last five years (i.e., all requested demands have been accommodated). Post reorganization approvals, Eastern MWD would provide Fallbrook PUD and Rainbow MWD with wholesale supplies. These wholesale supplies, however, would be generated only from MET and purposefully excludes any of Eastern MWD’s own local resources. This limitation is part of the current three-party MOU and would result in the applicants becoming entirely dependent on MET’s two supply sources: Colorado River and Sacramento Bay Delta. This contractual arrangement mirrors existing wholesale relationships for Eastern MWD in supplying seven local retailers within its jurisdictional boundary. These existing wholesale relationships were established between 1964 and 2003 and divided between three cities (Hemet, Perris, and San Jacinto), three special districts (Lake Hemet MWD, Western MWD, and Rancho Water District), and one private entity

Post reorganization approvals, Fallbrook PUD and Rainbow MWD would continue to receive wholesale supplies from the Colorado River and Sacramento Bay-Delta. These supplies – whether through County Water Authority or Eastern MWD – have proven reliable with neither wholesaler curtailing availability over the last five years due to any shortfalls. Nonetheless, the Colorado River supplies available to the applicants post reorganizations would be materially lessened given they would no longer include access to grandfather rights currently held by the County Water Authority through its agreement with Imperial ID.

¹⁸ The Weese Filtration Plant is presently located in Rainbow MWD’s service area. Rainbow MWD and the City of Oceanside entered into an agreement that commits the parties to the transfer and treatment of raw water – at the Weese Filtration Plant – and in doing so utilizing unused capacity. Should detachment be approved, the City of Oceanside, Rainbow MWD, the Water Authority, and Eastern MWD would need to establish a wheeling agreement.

¹⁹ The Colorado River Quantification Settlement Agreement (QSA) signed in 1998 – between Imperial Irrigation District (IID) and the SDCWA – was a result of severe droughts in 1990 and 1991 which led SDCWA to seek less dependency on MWD for its water supplies. The agreement held the SDCWA financially responsible for the lining of the All-American and Coachella Canals while also legally binding MWD to delivering QSA water supplies from IID to the SDCWA. The agreement took effect in October 2003 and has since facilitated the SDCWA’s reduced reliance on MWD for water and reflected in a 75% decrease since 1991 (95% in 1991 to 20% in 2022).

²⁰ The applicants also materially benefit from the County Water Authority’s seawater supply generated from its Carlsbad (Bud Carlson) Desalination Treatment Facility, which serves to increase the overall reliability of supplies available to Fallbrook PUD and Rainbow MWD.

(Nuevo Water Company).²¹ Eastern MWD has not issued any of its own curtailments on wholesale deliveries at any time during the last five years.

Rainbow MWD's application materials include supplemental analysis on the topic of reliability and differences between the County Water Authority and Eastern MWD via MET. This supplemental analysis has been prepared by Ken Weinberg and includes three pertinent and intertwined conclusions.²² The first conclusion states the County Water Authority supply is comparatively more certain given recent investments to diversify both imported and local resources. The second conclusion asserts planned MET investments to improve reliability paired with continued decreases in demands will reduce the existing margin of difference going forward. The third conclusion serves as a carveout for agricultural users and states these customers may experience an overall improvement in reliability as a result of the reorganizations. This carveout ties to eliminating the County Water Authority's Transitional Special Agricultural Water Rate (TSAWR) program, which provides eligible users with reduced costs in exchange for being subject to higher cutbacks in the event of supply shortages.

Contingency Planning. During an emergency event, causing disruption to water pipelines, facilities, and service delivery to residents the agencies would continue to receive water under storage programs available via the County Water Authority or – should detachment be approved – the Eastern MWD through Metropolitan. When implemented, these storage programs have the capacity to accommodate a 75% level of service to its member agencies. A distinguishing factor among the County Water Authority's program in comparison to Metropolitan's is that ratepayers under the TSAWR program, would not experience a higher cutback, which under CWA is equivalent to a 59% level of service. Should service be completely cutoff, Metropolitan maintains that repairs would be completed within 14 days. During this time, Rainbow MWD and Fallbrook PUD would need to supplement the loss of water with local supplies. Rainbow MWD's total storage capacity is 695.0 acre-feet and is equivalent to accommodating 15 days of average day demands without recharge. Should the emergency result in more than a 14-day lapse in service, Rainbow MWD has signed an MOU with Fallbrook PUD committing Fallbrook PUD to supply them with local potable water supplies from its Santa Margarita River Conjunctive Use Project and through an imported water system. The Fallbrook PUD has a total storage capacity of 1,453 acre-feet and is equivalent to accommodating 58 days of average day demands without recharge.

²¹ All seven of these wholesale users rely on Eastern to supplement their systems and own local supplies.

²² Ken Weinberg is the principal with Weinberg Water Resources Consulting LLC.

- With respect to **financial considerations**, the Fallbrook PUD and Rainbow MWD presently pay the County Water Authority \$1,565 and \$1,536, respectively, for every acre-foot of wholesale treated water delivered. These wholesale charges are incorporated into each applicants’ adopted retail water use rates along with recovering operation and maintenance costs. The retail rates are similarly distinguished by both applicants into two demand classes – agricultural and municipal and industrial – with different charges based on customer types (i.e., commercial agriculture rate v. special agricultural rate). The average portion of retail rates tied to recovering wholesale supply costs from the County Water Authority is approximately 65% for Fallbrook PUD and 79% for Rainbow MWD over the last five available years. Post reorganization approvals, and based on the negotiated MOU, the applicants would pay Eastern MWD \$1,195 for every acre-foot of wholesale treated water delivered. This equates to an introductory annual cost-savings to Fallbrook PUD and Rainbow MWD of 23.7% and 22.2%, respectively.

Fallbrook PUD and Rainbow MWD’s wholesale water supply costs currently account for 65% to 79% of their respective retail rates. Post reorganization approvals, Fallbrook PUD and Rainbow MWD would experience an approximate 24% and 22% annual savings in wholesale water supply costs.

- Timing Factor No. 2:
Consideration of Policy L-107 &
Associated Findings by Dr. Michael Hanemann

San Diego LAFCO adopted L-107 in May 2010 to require all applicants to disclose jurisdictional disputes or related items that are associated with their proposal filings. If applicable, and unless waived by the Executive Officer, the policy requires applicants and/or their representatives to consult with opponents to resolve any known issues – concerns, disputes, etc. – before the item is formally considered by the Commission. The Executive Officer retains discretion to determine the extent of consultation needed. If an agreement is reached through the consultation process, the policy states the Commission shall consider the provisions as part of the application. If an agreement is not reached, and the Executive Officer concurrently determines good-faith efforts have been satisfied, the policy states the Commission shall proceed to consider the application as submitted.

Consistent with the reporting requirements under L-107, Fallbrook PUD and Rainbow MWD both disclosed objections to the proposed reorganizations from the County Water Authority in filing the coordinated applications with LAFCO in March 2020. The applicants summarized the objections from the County Water Authority at the time of the filings into three topical items. Two of the items overlap and involve a dispute over the County Water Authority’s request that the applicants’ detachments not cause any net loss in revenue (“revenue neutrality”) or require exit fee payments. The third item involves a dispute over the County Water Authority’s request that any detachment elections be conducted within its entire jurisdictional boundary as opposed to only Fallbrook PUD and/or Rainbow MWD. The applicants also disclosed

a fourth objection raised by the Otay Water District with regards to the applicants' using Class 20 exemptions as lead agencies under CEQA.

At its June 2020 meeting, and at the recommendation of the Executive Officer, the Commission approved the establishment of an advisory committee to satisfy the consultation process required under L-107 given the above-referenced dispute disclosures. The establishment of the Fallbrook-Rainbow Ad Hoc Committee ("Ad Hoc") included the Commission setting the composition at 10 members as detailed in an earlier section (page 7) and tasked with advising the Executive Officer through the administrative review process on specific disputes and/or controversies tied to the proposals – including but not limited to the items disclosed by the applicants.

Fallbrook PUD and Rainbow MWD each disclosed four jurisdictional disputes to their reorganization proposals at the time of filing in March 2020 as follows.

1. Request by CWA for detachments to show revenue neutrality.
2. Request by CWA for exit fees in lieu of revenue neutrality.
3. Request by CWA that any detachment elections include voters throughout its (CWA) jurisdictional boundary.
4. Objection by Otay WD to exempt the detachments under CEQA Class 20.

The Ad Hoc subsequently held 12 public meetings between December 2020 and August 2022. Most meetings were dedicated to addressing three overlapping – (a) water supply reliability, (b) financial impacts, (c) potential exit fees – selected by the Ad Hoc with their related tasking of Dr. Michael Hanemann with Arizona State University to provide expert analysis. Dr. Hanemann proceeded to issue a draft report on all three topics to the Ad Hoc in September 2021 followed by a formal public review and comment period. A final report was presented to the Ad Hoc in February 2022 with the following key summary conclusions.

- With respect to **water supply reliability**, Dr. Hanemann concludes both the County Water Authority and Eastern MWD have established reliable wholesale supplies. Dr. Hanemann finds County Water Authority supplies are more reliable given they are more diversified and marked by having direct access to desalinated water. However, Dr. Hanemann does not define the reliability differences between the two as substantive relative to industry standards.
- With respect to **financial impacts**, Dr. Hanemann concludes the net cost-savings to Fallbrook PUD and Rainbow MWD if they detach and change wholesalers will be \$2.9 million and \$4.8 million each year, respectively, and generate a combined net annual savings of \$7.7 million. The individual amounts represent net savings of 35% for Fallbrook and 21% for Rainbow. Concurrently, Dr. Hanemann concludes the County Water Authority will lose \$4.1 million each year if Fallbrook PUD detaches and \$8.5 million each year if Rainbow MWD detaches. The combined annual loss for the County Water Authority should both applicants detach is \$12.6 million and represents a net loss of (2%) for the County Water Authority.

- With respect to **potential exit fees**, Dr. Hanemann concludes payments to the County Water Authority are economically justified for both Fallbrook PUD and Rainbow MWD if they depart. Dr. Hanemann defers to LAFCO to consider various options in deciding an appropriate metric in devising an exit fee. One specific option offered by Dr. Hanemann involves tying an annual exit fee to recover the applicants share of the County Water Authority’s annual payment to Imperial Irrigation District for direct and grandfathered supplies to the Colorado River. These supplies are referred to as Quantification Settlement Agreement water or “QSA” water. Dr. Hanemann calculates an annual exit fee based on QSA recovery for Fallbrook PUD and Rainbow MWD at \$5.3 million and \$7.7 million, respectively. The combined annual exit fee is \$13.0 million (rounded). Dr. Hanemann further concludes it would be reasonable to require Fallbrook PUD and Rainbow MWD to pay an annual exit fee to the County Water Authority for no less than three years and no more than 10 years.

In receiving the final report in February 2022, each Ad Hoc member was asked to go on the record with respect to determining whether they believe Dr. Hanemann’s analysis positions LAFCO to make informed decisions on each of the three topics. The Committee unanimously responded “yes.” A copy of the final report is attached.

- Timing Factor No. 3:
Other Material Considerations

LAFCO staff has identified a range of other considerations meriting the Commission’s attention in assessing the overall timing of the proposed reorganizations and related merits and/or demerits. These other considerations incorporate topics largely sourced to affected agencies – including the County Water Authority and other member agencies – that have been generated during the administrative reviews. Other topics are sourced to comments received by the Cities and Special Districts Advisory Committees as well as the general public. A listing of these other considerations number eighteen and are summarized below along with staff analysis.

- (a) MET’s Position on the Detachments

The applicants – Fallbrook PUD and Rainbow MWD – and the subject agencies – Eastern MWD and County Water Authority – are all members of MET. On September 17, 2020, MET’s General Manager Jeffrey Knightlinger provided written comments to LAFCO on the proposed reorganization proposals. These comments, which followed formal notice of the proposals by LAFCO to all affected agencies, addresses several germane technical and policy topics. The substance of these topics ranges from describing the blended nature of supplies available to Eastern MWD and County Water Authority to assessing governance impacts at MET should the detachments proceed. The comments conclude with the following statement:

“In conclusion, the proposed reorganization would not impact Metropolitan’s ability to provide reliable water supplies to its 26 member agencies. Nor would it increase the demands on the Bay Delta. It would have only a de minimis impact on voting entitlements and representation by SDCWA and Eastern at Metropolitan. It would not affect the County Assessor’s ability to collect taxes to be distributed throughout Metropolitan’s service area.” (Knightlinger, September 17, 2020)

No other formal communications have been received by LAFCO from MET deviating from the September 17, 2020 position as provided above.

- (b) SANDAG’s Position on the Detachments

During the administrative review the County Water Authority has raised various topics relating to the potential impacts of the detachments on SANDAG. Specifically, the County Water Authority has commented the detachments would counter SANDAG’s efforts to coordinate regional water planning among all land use authorities in San Diego County. Staff proceeded to communicate these topics directly to SANDAG in an April 19, 2022 letter to the Chief Executive Officer’s Office with the invitation to provide comments. No comments have been received, and accordingly staff believes it is reasonable to assume there are no direct conflicts tied to the detachments with respect to SANDAG policies or programs.²³

- (c) Financial Differences Between “Roll-Offs” and Detachments at CWA

The topic of “roll off” has been cited regularly during the administrative reviews and frequently by the applicants and their proponents as context to considering the financial impacts tied to detachment. The Ad Hoc Committee tasked a working group to independently address the topic and specifically key differences between roll-off and detachment with regard to financial impacts to the County Water Authority.²⁴ The working group’s summary follows.

“It is important to note that there is no obligation for any member agency to take any amount of supply from SDCWA. However, a member agency that remains as a member of the SDCWA will still have to pay fixed costs to SDCWA, even if they do not take a drop of water. The elephant in the room is not if detachment and roll off are the same. They are not. The impacts of detachment and roll off are different in that an agency that rolls off will still be a member agency of the SDCWA and will be contributing to future cost increases and rates set by the SDCWA board. A detachment, once completed, means that a member agency is no longer a member agency of SDCWA and will not be contributing to future costs – unless an exit fee is conditioned by LAFCO for a certain time period. The true elephant in the room is that unless SDCWA reduces (or leverages to others) its fixed take or pay supplies; it will have more fixed take or pay supplies than it will have demand in the next ten

²³ This conclusion is further supported given a SANDAG appointee has continually participated as an at-large member on the Ad Hoc Committee.

²⁴ The Ad Hoc Committee’s working group included the following members: Kim Thorner; Lydia Romero; Brian Albright; and Keith Greer.

years if its member agencies fully develop all of their local supply projects. Dr. Hanemann also noted in his presentation to the LAFCO Detachment Workgroup that there is a "Financial exposure to reduction in water sales. With current rates, I estimate that for every 1,000 AF less that SDCWA delivers to member agencies, its net revenue falls on average by almost \$1M. This is of some concern given that SDCWA is projected to experience a reduction of about 60,000 AF in deliveries to member agencies by around 2030." If member agencies roll off to the tune of 60,000 acre feet by 2030 through the development of local supplies, (according to Dr. Hanemann) this will reduce the SDCWA net revenue by \$60,000,000. By way of comparison, FY 2022 Net Water Sales Revenue by SDCWA (in its annual budget) is \$108,586,236. A loss of \$60 million in net revenue is more than half of SDCWA's total current annual net revenue. This is not a sustainable future and does not bode well for future rate affordability. This topic should be explored in depth via the upcoming SDCWA MSR. Any MSR review of SDCWA should also include a review of MWD and its operations and agreements within the SDCWA region." (Ad Hoc Working Group Memo, August 11, 2022

- (d) Detachments' Impact on CWA's Credit Rating

At multiple intervals during the administrative reviews, representatives from the County Water Authority have asserted the proposed detachments would produce significant determinantal impacts on its credit rating. A recent review on the topic shows the County Water Authority's credit ratings via the three principal reporting agencies (Moody's, Standard & Poor's, and Fitch) have remained steady with high to highest placements since the detachments were filed in March 2020. These high to highest placements – at least notionally – position the County Water Authority to readily secure lower interest rates when seeking debt financing through the public bond market with repayment based on the pledge of future revenues – including water sales. The rating agencies have also provided the County Water Authority with "stable" outlook assignments over the same three-year period with one notable exception. This exception occurred during 2020-2021 with Standard & Poor's modifying the outlook assignment from "stable" to "negative." The following passage is drawn from Standard & Poor's March 2021 report and, among other considerations, cites the potential impacts from detachments:

"The authority has a higher degree of litigation and member discord than is standard in the sector, in our opinion. This includes ongoing rate litigation with Metropolitan Water District, some of which has been settled in the authority's favor and some of which is ongoing. In addition, the authority is currently resolving a \$6.1 million lawsuit with Vallecitos Water District regarding overcharges. Lastly, two member agencies have petitioned the Local Agency Formation Commission (LAFCO) for detachment from the authority because they believe they can receive their water supply more affordably directly from Metropolitan Water District (through an arrangement with Eastern Municipal Water). Given the geographic location of the members, they reportedly believe that they do not receive sufficient benefit

from remaining with the authority. LAFCO may deny the detachments or approve the detachments with conditions. The authority's management reports that the LAFCO process will likely take up to two years with a draft report anticipated in Spring 2021. The authority has hired a consultant to advise on the proceedings and the authority intends to seek reimbursement for associated debt and costs attributable to the two agencies. Management believes they could adjust supply requirements through resource planning. While we do not believe any of the aforementioned issues will have a financial effect in the near-term, we do believe ongoing litigation has associated costs and introduces potential longer term political risk--especially if an approved detachment sets a precedent if members can easily detach from the authority. This would be further exacerbated if the two members are not required to pay for their portion of the associated debt and infrastructure costs that the authority has undertaken to provide reliable water sources.” (Standard & Poor’s Report on CWA, March 17, 2021)

Standard & Poor’s reverted and upgraded its outlook assignment for the County Water Authority in 2022 to stable. A three-year showing of the credit ratings and outlook assignments among all three principal credit rating agencies follow.

County Water Authority Credit Ratings and Assigned Outlooks							
	Standard & Poor’s		Fitch Ratings		Moody’s		
June 30, 2020	AAA	Stable	AA+	Stable	AA2	Stable	
June 30, 2021	AAA	Negative	AA+	Stable	Aa2	Stable	
June 30, 2022	AAA	Stable	AA+	Stable	AA2	Stable	

Given Standard and Poor’s own observations on the topic, it is reasonable to assume detachments would impact the County Water Authority’s credit rating. It is also reasonable to presume the impact would be less than significant given two factors. First, Standard & Poor’s identified several reasons other than detachments contributing to downgrading the County Water Authority’s outlook in 2021. Standard & Poor’s decision to subsequently upgrade the outlook one year later suggests the detachments were not a primary reason in the original downgrading decision. Second, Standard & Poor’s stated concerns with detachments tie to the uncertainty of whether the applicants will pay their share of outstanding debt and the potential precedent of other member agencies pursuing detachments. These latter concerns appear sufficiently controlled with the imposition of exit fees and the related true-up for the County Water Authority over a period of time to meet its pledge of future revenues in paying bonded long-term debt. The precedent concerns are separately controlled based on the geographic conditions that uniquely position Fallbrook PUD and Rainbow MWD to propose detachments given their ready ability to connect to the MET transmission line.

- (e) Financial Impacts from Detachments:
 Remaining County Water Authority Member Agencies + Ratepayers

Dr. Hanemann's final report calculates a total net revenue loss to the County Water Authority – and by extension the remaining member agencies – from detachments at \$12.581 million each year over the first 10 years ("short-run") based on 2022.²⁵ The loss of net revenues attributed to Rainbow MWD accounts for two-thirds of the total at \$8.517 million. Fallbrook PUD accounts for the remaining one-third net revenue loss at \$7.285 million. Dr. Hanemann calculates the net revenue loss would decline to \$10.988 million (2022 base year) annually after the tenth year ("long-run"). Dr. Hanemann did not calculate total net revenue losses beyond 2022 given the existence of too many external variables as stated below:

"I will not present a multi-year analysis. I feel that there is now too much uncertainty about future water supply, future water demand, and future rate schedules to justify making a projection of the annual financial impact over the coming decade. Therefore, I restrict my analysis to an estimate of the financial impact in CY 2022."
 (Hanemann, December 31, 2021)

Both the applicants – Fallbrook PUD and Rainbow MWD – and the County Water Authority have separately forwarded their own estimates to LAFCO on financial impacts tied to the detachments. The County Water Authority estimates their total annual net-revenue loss associated with the detachments at \$16.884 million.²⁶ Fallbrook PUD and Rainbow MWD estimate the total annual net-revenue loss to the County Water Authority due to the detachments at \$5.600 million.²⁷ Dr. Hanemann reviewed both estimates prior to making his own independent conclusion.

Using Dr. Hanemann's total estimated annual net-revenue loss for the County Water Authority at \$12.581 million (based on 2022), LAFCO staff has proceeded to calculate individual cost impacts for remaining member agencies and their ratepayers (equivalent meter units). The calculation assumes the County Water Authority would recover the full revenue loss by passing it in full to the remaining member agencies by increases in the wholesale rates going forward. The calculation uses the County Water Authority's water sale revenues over a recent five-year period as a baseline in identifying individual percentage shares among all member agencies. The share collectively tied to Fallbrook PUD and Rainbow MWD equals 6.0% and is the amount staff has reapportioned and added to the remaining member agencies' share to keep the County Water Authority whole post detachments.

²⁵ The calculation assumes the loss of all property taxes for County Water Authority that are currently received within the affected territory. This assumption has been separately confirmed by the County Auditor's Office.

²⁶ This amount is detailed in the County Water Authority's formal response to the notice of the reorganizations dated September 18, 2020.

²⁷ This amount is detailed in the applicants' joint formal response to the notice of the reorganizations via London Moeder Advisors and dated September 20, 2020.

Overall, LAFCO staff estimates the remaining member agencies’ ratepayers would experience an average increase to their water bills of \$26.41 annually and \$2.20 monthly. These amounts vary among the remaining member agencies and most notably based on the dependency level on wholesale supplies and their economies of scale to spread out costs among a larger pool of households. As the largest member agency, the City of San Diego’s annual recovery share to make up for the loss net revenue should the detachments proceed is calculated by staff at \$4.979 million. This amount translates to annual and monthly ratepayer increases of \$12.60 and \$1.05, respectively. In contrast, the smallest member agency is Yuima MWD and their annual recovery share to make up for the loss revenue for the County Water Authority is calculated by staff at \$0.134 million. This amount translates to annual and monthly ratepayer increases of \$224.56 and \$18.71, respectively.

The calculated cost increases for the remaining member agencies should the detachments proceed is shown below with a full breakdown attached. A narrative detailing the calculation for the City of San Diego is footnoted.²⁸

LAFCO’s Estimate of Detachment Impacts to Member Agencies + Ratepayers (Source: LAFCO Staff)			
Agency	Annual Share	Annual Ratepayer	Monthly Ratepayer
Carlsbad MWD	642,432	17.56	1.46
City of Del Mar	40,152	16.02	1.34
City of Escondido	388,136	10.90	0.91
Helix WD	749,504	11.44	0.95
Lakeside WD	107,072	13.06	1.09
City of National City	66,920	n/a	n/a
City of Oceanside	722,736	12.40	1.03
Olivenhain MWD	562,128	19.81	1.65
Otay WD	1,070,721	17.64	1.47
Padre Dam MWD	374,752	13.86	1.15
City of Poway	294,448	17.24	1.44
Ramona MWD	173,992	16.85	1.40
Rincon MWD	200,760	19.27	1.61
City of San Diego	4,978,851	12.60	1.05
San Dieguito WD	133,840	8.71	0.73
Santa Fe ID	227,528	21.55	1.80
South Bay ID	187,376	4.33	0.36
Vallecitos WD	615,664	22.42	1.87

²⁸ **Step One.** San Diego contributed \$1.286 billion in water sales revenue over the five-year period. This amount equals 37.2% of the \$3.459 billion collected by the County Water Authority over the 60-month period. **Step Two.** San Diego’s proportional share of the County Water Authority’s net revenue loss of \$12.581 million should Fallbrook PUD and Rainbow MWD detach before any true-up is \$4.680 million. This amount equals 37.2% of the total. **Step Three.** San Diego’s proportional share of the County Water Authority’s net revenue loss of \$12.581 million should Fallbrook PUD and Rainbow MWD detach plus making up for the agencies’ 6.0% contribution to water sales revenue over the five-year period is 39.6%. This post true-up adds 2.4% to San Diego’s share of cost-recovery and the result of dividing 37.2% into 6.0%. **Step Four.** San Diego’s proportional annual share for the County Water Authority to make up the net revenue loss of \$12.581 million should Fallbrook PUD and Rainbow MWD detach is \$4.979 million. This annual agency amount is the result of dividing 39.6% out of \$12.581 million. **Step Five.** San Diego’s proportional annual share for the County Water Authority to make up the net revenue loss of 12.581 million should Fallbrook PUD and Rainbow MWD detach among its ratepayers is \$12.60. This annual ratepayer amount is the result of dividing the agency total of \$4.979 million by its 395,266 equivalent meter units. **Step Six.** San Diego’s proportional monthly share for the County Water Authority to make up the net revenue loss of 12.581 million should Fallbrook PUD and Rainbow MWD detach among its ratepayers is \$1.05. This monthly ratepayer amount is the result of dividing the annual ratepayer estimate of \$12.60 by 12.

Agency	Annual Share	Annual Ratepayer	Monthly Ratepayer
Valley Center MWD	562,128	38.27	3.19
Vista ID	347,984	9.65	0.80
Yuima MWD	133,840	224.56	18.71
TOTALS	12,580,968	26.41	2.20

Table Notes:

1) The County Water Authority’s estimated individual member agency impacts tied to the detachments and net-revenue losses is listed on page 59 (Table 4.9) of its September 18, 2020 formal response to the reorganization proposals. The Authority’s estimated base year rate impact for the City of San Diego is \$7.338 million and represents a 47.4% difference above the estimate calculated by LAFCO staff. This difference would similarly adjust the projected individual ratepayer impacts in San Diego to \$18.57 annually and \$1.55 monthly.

- (f) Assessing the “Significance” of the Financial Impacts to CWA + Ratepayers

Parallel to the preceding differences addressed in (d) involving the overall financial impact of the detachments, the applicants – Fallbrook PUD and Rainbow MWD – and the County Water Authority similarly have disparate views on assessing the associated “significance.” LAFCO staff believes assessing the overall significance on the calculated financial impacts on the County Water Authority relative to inflation serves as a reasonable and certain measurement for purposes of this analysis. The appropriate period to determine the comparative inflation rate, however, is less certain and could reasonably involve one-year or multiple-years. Relying on the current one-year inflation rate – 6.4% in the San Diego-Carlsbad region – appears most reasonable given it best aligns with Dr. Hanemann’s analysis.²⁹

LAFCO staff has focused on two distinct one-year measurements in assessing whether the financial impacts to the County Water Authority are significant. The first measurement ties to Dr. Hanemann’s calculated annual net-revenue impact to the County Water Authority of \$12.581 million based on one-year estimates for 2022. This measurement represents 4.4% of the County Water Authority’s 2023 gross water sales revenue requirement and below the one-year inflation rate of 6.4%, and therefore reasonably considered insignificant.³⁰ The second measurement ties to staff’s calculated average annual ratepayer impacts among the remaining member agencies of \$26.41 based on reapportioning the full net-revenue loss identified by Dr. Hanemann. This measurement represents a 3.6% increase in ratepayer charges and below the one-year inflation rate of 6.4%, and it too is considered reasonably insignificant.³¹ While these measurements are below the identified threshold for determining “significance” as determined by LAFCO, justification to apply exit fees has still been established.

²⁹ Reference to U.S. Bureau of Labor Statistics at <http://data.bls.gov>. Inflation rates for the San Diego-Carlsbad region over the preceding ten and five year periods have been 3.6% and 4.6%.

³⁰ The County Water Authority’s CY2023 Cost of Service Study states Gross Water Sales Revenue Requirement for 2023 is \$282.97 million.

³¹ Measurement further utilizes methodology established in section (e) by dividing annual average revenues by total number of EMU’s to establish annual EMU baseline.

- (g) Merits and Options to Impose Exit Fees and Other Payments:
Mitigating Net Revenue Losses and/or Outstanding Debt

As discussed in considerable detail during the Ad Hoc Committee process, the applicants – Fallbrook PUD and Rainbow MWD – and County Water Authority have articulated distinct positions on the merits of LAFCO requiring exit fees and other payments as conditions to any detachment approvals. The County Water Authority and several of its member agencies are on record with LAFCO requesting exit fees and related measures apply to help protect the Authority from any financial disadvantages – including net revenue losses and long-term debts – that tie to the detachments. Total net revenue losses tied to detachments estimated in the base year by the County Water Authority equals \$16.401 million annually. The County Water Authority does not calculate a proportional share of the applicants’ share of the Authority’s 21.1 billion in long-term debt given the “*practical impossibility for Fallbrook and Rainbow to pay no matter how much time the debt might be stretched over.*”³² Conversely, and as further addressed in this section as (i), the applicants do not believe exit fees or other payments are merited or – pertinently – allowed under the County Water Authority’s principal act.

With respect to merits, LAFCO staff believes it is sufficiently reasonable to require exit fees on the applicants should the detachments proceed. This conclusion aligns with the uniformly accepted acknowledgment from all sides – albeit with different estimates – that the detachments will result in unavoidable financial impacts on the County Water Authority in the near term. As detailed in (e), while not necessarily meeting the threshold of significance as defined, these impacts are to the left of a decimal point and merit attention. Dr. Hanemann similarly has attested exit or departure fees are economically justified in the near term with the following statement in his final report to the Ad Hoc Committee:

“The purpose of a departure fee is to assist SDCWA in covering its financial obligations that are fixed, ongoing and unavoidable for a limited period while it adjusts to the changed financial situation.” (Hanemann, December 31, 2021)

With respect to options, focusing on mitigating annual net revenue losses appears most appropriate in setting exit fees for the detachments. This focus addresses the most concrete and quantifiable impact to the County Water Authority and independently calculated by Dr. Hanemann at \$12.581 million annually. Materially, focusing on mitigating annual net revenue losses also covers long-term debt in the near term by helping to keep the County Water Authority whole and its ability to service debt on an annual basis. Any exit fees set to also recover outstanding debt over the same time would appear as double-counting.

³² Reference to page 62 to the County Water Authority’s formal response to the notice of the reorganizations filed with LAFCO, September 18, 2020.

Establishing a dedicated payment to the applicants over a longer period to recover their proportionate share of the outstanding long-term debt obligations of the County Water Authority's appears impractical. This impracticality ties to the uncertainty in fairly calculating each member agency's proportionate share of each debt issuance by the County Water Authority until maturity, while also reconciling the amount of water purchased by each member agency for the duration of the debt. As referenced above, the County Water Authority's rate-setting process includes determining the revenue requirements to satisfy annual debt service payments and covenants, which are thus included in the rates paid by member agencies. Relatedly, member agencies appear to be under no financial obligation to pay an annual pre-determined fix amount towards the County Water Authority's debt obligations – or at least they do not appear to be readily disclosed.

- (h) Identifying the Appropriate Length of an Exit Fee

Dr. Hanemann advised LAFCO and the Ad-Hoc Committee that a reasonable length of period to apply an exit fee to the applicants was three to ten years. Dr. Hanemann further advised any term beyond 10 years would be unreasonable. Drawing from this parameter, it appears five-years is a good and reasonable benchmark given the three relatable considerations. First, the Ad Hoc's working group made note that the best predictor of future cost allocations is to look at past rolling averages and a five-year period account for high water and low water demand years. (This five-year period was then used in their evaluation in determining the specific rate impacts to the City of Poway, City of San Diego and Valley Center.) Second, Urban Water Management Plans are prepared by urban water suppliers every five years and are submitted to the state for their review. These plans support the suppliers' long-term resource planning to ensure that adequate water supplies are available to meet existing and future water needs. Third, municipal service reviews serve as a centerpiece to the comprehensive rewrite to LAFCO law in 2001 and represent comprehensive studies of the level, range, and performance of governmental services provided within defined geographic areas. Statute provides MSRs be prepared every five years.

- (i) LAFCO's Authority to Require Exit Fees:
Reconciling the County Water District Act and Cortese-Knox-Hertzberg Act

The applicants – Fallbrook PUD and Rainbow MWD – have been consistent in their comments during the administrative reviews that the principal act governing the County Water Authority does not contemplate the imposition of exit fees should a member agency leave. The applicants advise instead the principal act provides only the continued payment of property taxes to cover any remaining debts. While acknowledging the principal act does not require the imposition of exit fees should a member agency leave, it also does not prohibit one, and LAFCO staff does not believe the principal act precludes the Commission's authority to condition approval on payment of such a fee. This conclusion draws on LAFCO's authority in its own

principal act – Cortese-Knox-Hertzberg Act – and the following material sections in California Government Code:

“56100. (a) Except as otherwise provided in Section 56036.5 and subdivision (b) of Section 56036.6, this division provides the sole and exclusive authority and procedure for the initiation, conduct, and completion of changes of organization and reorganization for cities and districts. All changes of organization and reorganizations shall be initiated, conducted, and completed in accordance with, and as provided in, this division.” (Cortese-Knox-Hertzberg Act, 2022 Update)

“56886. Any change of organization or reorganization may provide for, or be made subject to one or more of, the following terms and conditions. However, none of the following terms and conditions shall directly regulate land use, property development, or subdivision requirements.”

“56886. (v) Any other matters necessary or incidental to any of the terms and conditions specified in this section.”

- (j) Discounting Exit Fees:
Accounting for the Budgeted but Unbuilt ESP North County Pump Station
-

This topic was evaluated by a working group formed by the Ad Hoc Committee and consisted of members not affiliated with the applicants or subject agencies. The working group’s conclusion on the topic follows and provides the basis for LAFCO staff to conclude a full discount in the amount of \$21.0 million is reasonable.

“Fallbrook and Rainbow assert that there is a cost savings to the remaining member agencies if they detach as the ESP North County Pump Station does not need to be built if they detach. SDCWA asserts that there is no cost savings, as construction of the ESP North County Pump Station is not included in their current budget. Both of these statements are true. However, almost \$21 million was identified in the SDCWA 2010/2011 Budget for the ESP North County Pump Station. According to a mid-term budget review, this project was deferred in 2011, however bond documents appear to show inclusion of this project in 2008. If debt was already issued to pay for this project and rates were set accordingly, there should be some costs that are avoided by not having to build this pump station. SDCWA should look at its older documents to identify and address this issue. This was a project included in the CIP (and some funds were spent on design) that set rates and debt issuance over a decade ago to pay for construction this project.” (Ad Hoc Working Group Memo, August 11, 2022)

Pertinently, and as context to the reasonings to apply a full discount based on the \$21.0 million amount, the County Water Authority recently referenced the ESP North County Pump Station to cost roughly \$40.0 million as indicated in footnote on Page 61 of their September 18, 2020 response to LAFCO.

"A planned Water Authority infrastructure program for the Rainbow/Fallbrook service areas has been temporarily deferred by the Water Authority Board, with the concurrence of the applicants, pending this reorganization proceeding. If the Water Authority did not have to construct this infrastructure, it would save about \$40 million in planned costs. This would in essence cover roughly about 2.5 years of uncompensated Rainbow/Fallbrook detachment under the base year."

Additional discussion is footnoted.³³

- (k) Risks to Applicants in Greater Reliance on the Sacramento Bay-Delta

Dr. Hanemann has advised there are potential risks to applicants and their ratepayers with respect to increased reliance on the Sacramento Bay-Delta. As detailed in section (l), Dr. Hanemann concludes that while the applicants may face challenges if they switch wholesale suppliers, ultimately the challenge rests in *“paying a higher price than they had anticipated to get by in a drought”* rather than that of running out of water. (Hanemann, December 31, 2021) This identified risk is further illuminated by recent events involving cutbacks to the historically reliable water supplies of the Colorado River, which may inevitably result in cutbacks to MET. The State Water Resources Control Board’s Delta Watermaster, Michael Patrick George, also provided insight on this topic with the following submitted comment:

“[T]he two agencies would be increasing reliance on the Delta because they would abandon a less Delta-dependent supply mix (available through their SDCWA membership) in favor of a more Delta-reliant supply mix (available under the contract with Eastern MWD).” (May 6, 2022)

Dr. Hanemann further advised the Ad-Hoc Committee:

“If FPUD and RMWD switch from SDCWA to EMWD, they will switch from relying on SWP water for 24% of their supply to relying on SWP water for 63% of their supply.” (Hanemann, August 16, 2021)

Notwithstanding the above comments and based on Hanemann’s estimate of a combined reliance of 63.0% on the State Water Project that represents 16,320 acre-feet of the applicants’ total demand, it would equal 0.68% of the overall 2.4 million acre-feet of Bay-Delta water supply.

³³ It is material to assume that future costs and material will only increase over time resulting in a higher total cost to the project. Therefore, we have a significant range between costs to the proposed ESP North County Pump Station based on decades old budgets (2010/2011) and general budget projections into the future. At minimum it appears highly appropriate to assess a discount to the proposed detachment fee in the tune of \$21.0 million based on 2010/2011 figures; however, it would also be fair and reasonable to assess a discount of \$40M based on CWA 2020 figures. Bottom line: the ESP North County Pump station is contingent – one way or another – on the proposed detachment and costs associated with the project is a reasonable consideration to credit the applicants as the CWA will achieve a cost savings.

- (l) Risks to Applicants in Changes to MET Wholesale Rates

Dr. Hanemann advised on this topic within his final report submitted to LAFCO:

“While FPUD and RMWD are taking something of a gamble on supply reliability if they switch from SDCWA to EMWD, the gamble ultimately is not one of running out of water but, rather, paying a higher price than they had anticipated to get by during a drought. For surface water users in Southern California (unlike some groundwater users) the risk is not that the tap runs dry but, rather, that a temporary solution in a drought emergency turns out to be a rather expensive proposition.” (Hanemann, December 31, 2021)

LAFCO staff later confirmed with Dr. Hanemann that he refers to a “financial gamble,” in which applicants risk paying more for water in the long run.

- (m) Detachments’ Impact on CWA’s Voting Power at MET

Eastern MWD presently has one representative while the County Water Authority has four representatives on the MET Board. MET’s principal act governs both director and vote entitlement for member public agencies. Under Section 52, assessed valuation is used to determine how many representatives an agency has on the MET Board. Each member agency is entitled to one board member and may appoint an additional representative for each full 5 percent of MET’s assessed valuation of taxable property that is within each member agency’s service area. Under Section 55, each member of the Board shall be entitled to vote on all questions, orders, resolutions, and ordinances coming before the board, and shall be entitled to cast one vote for each ten million dollars (\$10,000,000), or major fractional part thereof, of assessed valuation of property taxable.

As of August 2021, Eastern MWD’s service area assessed valuation constituted 2.81% of the total MET service area and entitles Eastern to 9,492 votes at MET. The County Water Authority’s service area assessed valuation constituted 17.26% of the total MET service area and entitles the Authority to 58,302 votes at MET. If the applicants’ – Fallbrook PUD and Rainbow MWD – service areas are detached from the County Water Authority the weight of the Authority’s vote will be reduced by 1,021 votes and the weight of Eastern’s vote will be correspondingly increased.³⁴ This would substantively result in a 0.3% transfer of voting power at MET from the County Water Authority to Eastern MWD.

In assessing the significance of the 0.3% transfer in voting power, LAFCO staff reviewed the last 900+ votes of the MET Board during the last 10 years. Within this period there have only been 3 votes in which the decision was within the margin of voting rights (0.3%) that would be shifted. One of these three votes is substantive

³⁴ See attachment.

and involved the appointment of the current MET General Manager. This one substantive vote creates an outlier in assessing the significance of the associated vote transfer given the known possibility – through not necessarily the probability – of repeating in the future with the aid of approving the detachments.

Additional discussion is footnoted.³⁵

- (n) Detachments' Effect on Pure Water and Other Reuse Projects

The proposed reorganization of Rainbow MWD and Fallbrook PUD does not appear to have any material direct impacts on the City of San Diego's Pure Water project or other regional reusable projects such as Pure Water Oceanside and East County Advanced Water Purification. In offering this conclusion, staff is making a distinction that these reusable projects are predominately developed to resolve wastewater issues, such as treatment costs and therefore are on a separate merit track to proceed with the ancillary benefit of enhancing local supply portfolios. Indirect impacts – nonetheless – apply given these reuse projects will lessen the agencies (San Diego, Oceanside, etc.) reliance and associated demand on supplies from the County Authority, which will reduce sale revenues.

- (o) Emergency Supplies During a Catastrophic Event

This topic has been raised by the County Water Authority and specific to raising concerns with regards to the applicants' – Fallbrook PUD and Rainbow MWD – ability to serve their ratepayers if entirely dependent on MET supplies via Eastern MWD should a catastrophic event disrupt flows from the north. LAFCO staff believes existing MET policy paired with supplemental analysis provided by Eastern MWD provides sufficient assurances these risks are reasonably controlled. The following two passages are drawn from Eastern MWD's Technical Memorandum filed with LAFCO on February 12, 2020 and materially states:

"FPUD and RMWD rely on the imported water that is transported through the San Diego Aqueduct operated by Metropolitan. Pipelines 4 and 5, which are part of this aqueduct system, cross the Elsinore Fault Zone in the Temecula Valley, with portions of the pipelines in areas with moderate to high liquefaction potential and may consequently be subject to disruption in the event of a major earthquake. However, Metropolitan maintains an emergency response plan for maintaining or quickly restoring service to its member agencies following a major earthquake or other catastrophic event" (Page 24).

³⁵ In evaluating the topic during the administrative reviews, LAFCO staff proposed two potential conditions that would serve as mediation to any impacts related to voting shift changes. The two following options were explored and presented. First it was proposed LAFCO impose a 5-year waiting period to the filing of the project's certificate of completion, as this would provide a benefit of delay and a transitional adjustment period to any shift in voting rights power. Second, it was proposed LAFCO require a MOU between Eastern MWD and the County Water that would outline terms and conditions related to the assignment and timeframe to any voting rights shift. Both options were essentially opposed and gained no further traction with the latter also having legality issues being raised from all parties including MET.

"Metropolitan has also adopted a policy that allows for isolation of Metropolitan's system for the purpose of conveying potable water. This would allow either EMWD or Rancho California Water District (an agency covering much of the Temecula area that receives wholesale water service from EMWD and the Western Municipal Water District) to provide potable water through existing connections to the Metropolitan system to supply water to FPUD and RMWD in the event of an emergency." (Page 25).

LAFCO separately notes Eastern MWD via MET has the capacity to provide 75% level of service in an emergency based on current storage. Should pipelines or infrastructure completely disrupt service delivery, MET has a 14-day timeline for repairs. In the interim, and independent of MET, Rainbow MWD and Fallbrook PUD have a combined total local water storage capacity of 2,148.0 acre-feet and equivalent to accommodating 73 days of average day demands without recharge.

- (p) Effect of Stipulated CEQA Settlements on LAFCO:

Otay Water District v. Rainbow MWD, Case No. 37-2020-00001510-CU-MC-CTL

Otay Water District V. Fallbrook PUD, Case No. 37-2020-00004572-CU-MC-CTL

In early 2020 and shortly after the receipt of the applicants' – Fallbrook PUD and Rainbow MWD – detachment proposals the Otay Water District filed separate petitions for writs of mandate asserting they had failed to comply with the California Environmental Quality Act (CEQA). The writs challenged the applicants' separate findings as lead agencies that the proposals qualified for exemptions under Class 20 (CEQA Guidelines Section 15320) and instead asserted additional environmental review was required under statute. The parties – the applicants and Otay Water District only as LAFCO was not named in the suit – subsequently entered into court-mandated settlement discussions and agreed to stipulated judgements. The parties agree the stipulated judgements do not bind LAFCO to the role of responsible agency under CEQA and could assume lead agency roles for the proposals and make different findings. However, and significantly, Otay Water District asserts the stipulated judgements prohibit LAFCO from remaining a responsible agency and relying on the applicants' Class 20 findings (i.e., LAFCO needs to do an initial study or a full environmental impact report.) The County Water Authority is on record in supporting the position of Otay Water District. The applicants believe otherwise and assert nothing in the stipulated judgements prevent LAFCO from retaining its responsible agency role under CEQA and relying on the applicants' findings as lead agencies that the Class 20 exemptions appropriately apply.

Irrespective of the dispute between the parties regarding the scope of the stipulated judgements, LAFCO staff does not believe there is any material impact on the Commission's decision-making and related discretion under CEQA. LAFCO is not a party to the stipulated judgements. Accordingly, and as advised by Commission Counsel, LAFCO is not bound – however the parties choose to interpret – by the stipulated judgements' provisions.

- (q) Determining the “Affected Territory” for Election Purposes

Should the Commission approve one or both of the proposed detachments the registered voters within the affected territory would take up the item for purposes of confirmation based on a majority of votes cast (50% plus 1). The direct confirmation of registered voters deviates from standard process in LAFCO statute to hold a protest hearing and the results therein determine if an election is necessary. This direct confirmation follows the earlier request of the County Water Authority via their application for “non-district” status, which affects the Commission’s discretion regarding protest and election proceedings. The County Water Authority had the option to seek “non-district” status, and it did so here as to Part 4 of the Cortese-Knox-Hertzberg Act on April 2, 2020. The Commission approved the County Water Authority’s application on May 4, 2020.

The issue of defining the affected territory specific to establishing registered voter eligibility in a confirming election for the detachments that extends beyond the applicant’s jurisdictional boundaries (Fallbrook PUD and Rainbow MWD) has been a topic of interest during the administrative reviews. The County Water Authority and some of its member agencies are on record requesting any confirming votes be expanded to include all registered voters within the Authority. The substantive difference of expanding any confirming election from the applicants’ jurisdictional boundaries to include all of the County Water Authority is a 51-fold increase in registered voters from 36,664 to 1,878,136. The applicants object to the request with an otherwise fair observation that defining the affected territory beyond the area directly subject to the jurisdictional changes through LAFCO’s conditioning powers would be precedent setting. It would also considerably increase election costs.

Commission Counsel has reviewed the topic and concludes LAFCO’s otherwise available discretion to expand the affected territory for purposes of expanding registered voter eligibility in a conforming election per the County Water Authority request is not available. The following summary in support of this conclusion is provided by Commission Counsel and commences with the material relevance of the non-district status request approved by the Commission on May 4, 2020:

“Government Code section 56036.6, subdivision (b) addresses the implications of such a determination:

If the commission determines that an entity described in this section is not a ‘district’ or ‘special district,’ any proceedings pursuant to Part 4 (commencing with Section 57000) for a change of organization involving the entity shall be conducted pursuant to the principal act authorizing the establishment of that entity.

Government Code section 56128 also states:

If the commission determines that any applicant district, agency, or authority enumerated in subdivision (a) of Section 56036.6 is not a district or special district, for purposes of Part 4 (commencing with Sections 57000) or Part 5 (commencing with Section 57300), then those provisions shall not apply to the change of organization or reorganization described in the application and proceedings for the change of organization or reorganization shall be taken under and pursuant to the principal act.

Government Code section 56036.6, subdivision (b), makes clear that if an agency is determined to not be a district, then protest and election proceedings take place under that agency’s principal act, not Part 4 of CKH. An agency that is not a district is still subject to Parts 1–3 and, unless it requested exemption, Part 5 of CKH.

Because CKH does not apply to the protest or election proceedings regarding detachment, SDCWA’s Principal Act, the County Water Authority Act, applies instead (Water App. Code, §45-1 et seq.) Water Code Appendix Section 45-11, subdivision (a)(2) states:

Any public agency whose corporate area as a unit has become or is a part of any county water authority may obtain the exclusion of the area therefrom in the following manner: The governing body of any public agency may submit to the electors thereof at any general or special election the proposition of excluding from the county water authority the corporate area of the public agency.

The “electors thereof” refers to the electors of the public agency seeking exclusion. In this case, Rainbow and Fallbrook voters would be the electors under the county water authority law, not the entire territory of SDCWA.

CKH’s general provisions in Gov. Code §§ 56876 and 56886 do not permit the Commission to place conditions of approval regarding elections that override SDCWA’s Principal Act. Under well-established rules of statutory construction, these general statutory provisions must give way to the specific provisions of Gov. Code § 56036.6, which expressly governs the rules regarding protests and elections when a district has been granted “non-district” status. The specific controls over the general, and as a result the Commission cannot place conditions that would ignore the provisions of SDCWA’s Principal Act regarding elections to confirm the two detachments if approved.

Eastern MWD, by contrast, did not request a determination from the Commission regarding its exemption under Government Code section 56127. In the absence of such an exemption, CKH controls the election proceedings as they relate to annexation. Government Code section 56876 provides the Commission with the option to order an election, if required, regarding annexation just within the territory of Rainbow or Fallbrook or within all or a portion the territory of Eastern MWD.”

- (r) Role of Agriculture in the Proposals + LAFCO Decision-Making

A central premise to the applicants’ – Fallbrook PUD and Rainbow MWD – detachment proposals involve providing economic relief to their agricultural customers by securing less expensive water supplies from Eastern MWD. The economic relief ties to the approximate 26% cost-savings in the current “all-in” acre-foot charge between the County Water Authority and Eastern MWD (via MET). This cost-savings looms significant for both applicants. Agricultural customers presently represent 36% of all retail sales in Fallbrook PUD and 65% of all retail sales in Rainbow MWD; despite each applicant incurring no less than a (one-fourth) decline in ag user water sales over the preceding five-year period.

The specter of agriculture loss is a prominent consideration under LAFCO statute and adopted policy. Although independent, LAFCO is expected to act within a set of State-mandated parameters encouraging “planned, well-ordered, efficient urban development patterns” while concurrently providing for the “preservation of agriculture and open-space lands.” This includes specific consideration of the effects of jurisdictional changes on agriculture. (Government Code Section 56668). LAFCO recently updated its own implementing policies relevant to preserving agriculture in September 2020 and – among other items – added a section to “enhance” agriculture in San Diego County. Staff believes the substantive tie between statute and policy in relationship considering the detachment proposals is the added allowance to treat agriculture as a unique and/or protected group and in doing make special accommodations as the Commission deems appropriate.

**CONCLUSION |
REORGANIZATION MERITS & TIMING**

The analysis of the proposed reorganizations’ timing and connectivity with statutory and local policy considerations produces three distinct and otherwise merited options. Consideration of these three options are prefaced on the Commission applying its collective preferences in assigning priorities in balancing public benefits and interests. These three options are:

CONCLUSION CONTINUED... | REORGANIZATION MERITS & TIMING

Option X

Approve the proposals with conditions that are marked with a total exit fee of \$62.905 million spread out over five consecutive year payments less the \$21.0 million previously budgeted by the County Water Authority to construct the ESP North County Pump Station. The total adjusted exit fee with the discount is \$41.905 and translates to an annual payment of \$8.381. This option is appropriate should it be the Commission's collective priority to address the stand-alone merits of the applicants' proposals with the explicit paring of a policy enhancement of supporting a viable agriculture economy in North County. This policy enhancement provides justification in balancing the financial impact of detachments on the County Water Authority in tandem with applying an exit fee to cover the estimated revenue loss over the first five years.

Option Y

Administratively hold consideration of the reorganization proposals until the completion of a pending municipal service review covering the County Water Authority. This option would be appropriate should it be the Commission's collective priority to comprehensively assess the County Water Authority with respect to current and planned service levels, community needs, and financial standing *before* taking any potential actions to change baseline conditions. The option – notably – ties to the analysis of the proposals to date and what appears as major structural challenges for the County Water Authority going forward in balancing declining water sale revenues (roll-offs, potable reuse, etc.) versus fixed and increasing costs.

Option Z

Disapprove the proposals without prejudice. This option would be appropriate should it be the Commission's collective priority to retain and reinforce the role of the County Water Authority as the most appropriate policy vehicle to singularly govern and plan regional wholesale water supplies for all of San Diego County. This option – notably – would recognize the applicants' proposals in-and-of-themselves have merit, but the external considerations and overall detrimental impacts on the region, including loss of voting power at MET, negate the specific benefits to the Fallbrook and Rainbow communities.

Item No. 3 | Modifications and Terms

No modifications to the submitted reorganization have been identified by San Diego County LAFCO staff meriting Commission consideration at this time. This includes noting annexation of the affected territory to Eastern MWD would not result in any unserved corridors or other boundary irregularities for the subject agency.

Analysis of potential approval terms will be separately address in a staff memorandum.

CONCLUSION | MODIFICATIONS AND TERMS

No modifications to the proposed reorganization appear merited as detailed. Approval terms will be addressed under separate cover.

Other Statutory Considerations

Exchange of Property Tax Revenues

California Revenue and Taxation Code Section 99(b)(6) requires the County of San Diego and subject agencies to submit an adopted resolution to LAFCO agreeing to accept the exchange of property tax revenues associated with the proposed reorganization. The associated statutes also empower the County of San Diego to make all related property tax exchange determinations on behalf of cities and special districts without consultation unless the affected agencies request otherwise. The County has determined one of their adopted master property tax transfer resolutions apply to the proposed reorganization. The application of the County’s adopted master exchange resolution will result in 100% of all AB8 monies (the portion of the 1% in property taxes biannually collected) transferring to Eastern MWD. The total value of the property tax transfer is \$0.382 million and divided between \$0.173 within Fallbrook PUD and \$0.209 million in Rainbow MWD. (All remaining revenues collected by the County Water Authority off of the property tax roll within the affected territory involves unitary fees and availably charges would immediately cease at the time of recordation. These other revenues currently total \$0.723 million.)

Environmental Review

San Diego County LAFCO is responsible under CEQA to assess whether environmental impacts would result from activities approved under the Commission’s authority. Accordingly, the Commission is tasked with making two distinct findings under CEQA in consideration of the proposed reorganization. Staff’s analysis follows.

- San Diego County LAFCO serves as lead agency under CEQA for the conforming sphere of influence actions associated with accommodating the reorganizations. It is recommended the Commission find these actions – and specifically establishing a sphere for Eastern MWD covering its wholesale function to include the affected territory and concurrently removing these lands from the County Water Authority sphere – collectively qualify as a project under CEQA but exempt from further review under State Guidelines 15061(b)(3). This exemption appropriately applies given it can be seen with certainty that spheres are planning policies and any associated actions (establishment, update, or amendment) in and of itself does not change the environment or authorize any new uses or services.
- Fallbrook PUD’s and Rainbow MWD’s initiating actions involving the reorganization proposals position these agencies to serve as lead agencies in assessing the potential impacts - and specifically the annexation to Eastern MWD and detachment from County Water Authority - under CEQA. In their roles as lead agency, both Fallbrook PUD and Rainbow MWD have made findings that the proposal qualifies as a project but is exempt from further review under State CEQA Guidelines Section 15320. Staff independently concurs this exemption appropriately applies given the underlying action involves the transfer of existing municipal service functions within the same area with no additional powers or expansions therein.

Alternative Conducting Authority Proceedings

At its May 2020 meeting, San Diego LAFCO approved requests from the County Water Authority to apply alternative conducting authority proceedings should the Commission approve Fallbrook PUD and/or Rainbow MWD’s reorganization proposals. Approval of the alternative process was based on the County Water Authority meeting certain criteria under statute and substantively means any approval of the proposals will bypass standard protest proceedings and directly proceed to a confirmation election of registered voters with the applicant’s service areas.

RECOMMENDATION

TBD

ALTERNATIVES FOR ACTION

TBD

APPENDIX A

Government Code Section 56668 Mandatory Proposal Review Factors

- a) **Population and population density; land area and land use; per capita assessed valuation; topography, natural boundaries, and drainage basins; proximity to populated areas; the likelihood of significant growth in the area, and adjacent areas, in the next 10 years.**
-

The affected territory as proposed comprises the entirety of Rainbow MWD’s and Fallbrook PUD’s jurisdictional boundaries located in north San Diego County. The affected territory is entirely unincorporated with the exception of an approximate 859.0-acre area within Rainbow MWD that overlaps with the City of Oceanside’s Morro Hills neighborhood. LAFCO estimates the total resident population within the affected territory is 56,116. The elevation ranges from 673 feet to 1,800 feet above sea level with the latter point recorded on the foothills between the Aqua Tibia Mountain and Santa Margarita Mountain. Predominant land uses largely involve rural residential and agricultural uses. Total assessed value (land) within the affected territory is a combined \$8.99 billion and divided between \$4.078 billion within Fallbrook PUD and \$4.912 billion within Rainbow MWD.

- b) **The need for municipal services; the present cost and adequacy of municipal services and controls in the area; probable future needs for those services and controls; probable effect of the proposed incorporation, formation, annexation, or exclusion and of alternative courses of action on the cost and adequacy of services and controls in the area and adjacent areas.**
-

The County of San Diego serves as the primary purveyor of general governmental services to the affected territory. These services include community planning, roads, street lighting, and law enforcement. Other pertinent service providers include Rainbow MWD, Fallbrook PUD, County Service Area No. 81, and North County Fire Protection District. The proposal affects only Rainbow MWD and Fallbrook PUD’s functions and the proposed transfer of wholesale water services to Eastern MWD and is the focus of the following analysis.

- **Transferring Wholesale Water Services to Eastern MWD**

Rainbow MWD and Fallbrook PUD have experienced overall limitations on local sources of wholesale water in the affected territory. This is marked by the increasing costs of wholesale water supplies from the County Water Authority which has begun to adversely impact the quality of life for residents within the affected territory – most notably for agricultural users. Both Fallbrook and Rainbow quantify the adverse impact by estimating the average cost increase in water rates at 8% annually over the preceding decade. The two agencies relatedly attribute the size of the costs to sustaining an expanding County Water Authority’s infrastructure portfolio that does not proportionally benefit the affected territory. The need for imported wholesale

water supplies remains critical given Rainbow's absolute dependency on imported supplies due to the lack of other local resources. The same applies to Fallbrook albeit to a lesser extent.

c) The effect of the proposed action and of alternative actions, on adjacent areas, on mutual social and economic interests, and on local governmental structure.

None.

d) The conformity of the proposal and its anticipated effects with both the adopted commission policies on providing planned, orderly, efficient patterns of urban development, and the policies/priorities set forth in G.C. Section 56377.

Approval of the recommended reorganizations to transfer wholesale water supply from the County Water Authority to Eastern MWD serves as a viable alternative. Additionally, the proposal would not induce or otherwise facilitate the loss of open-space lands, and as such does not conflict with the provisions of Government Code Section 56377.

e) The effect of the proposal on maintaining the physical and economic integrity of agricultural lands, as defined by G.C. Section 56016.

Portions of the affected territory qualify as agricultural land under LAFCO law. The reorganization proposal, nonetheless, is specific to transferring wholesale water supply services between three local governmental agencies and would not adversely affect the physical or economic well-being of the agricultural lands.

f) The definiteness and certainty of the boundaries of the territory, the nonconformance of proposed boundaries with lines of assessment, the creation of islands or corridors of unincorporated territory, and other similar matters.

LAFCO is in receipt of a draft map and geographic description of the affected territory that details metes and bounds that appears consistent with the standards of the State Board of Equalization and conforming with lines of assessment. LAFCO approval would be conditioned on approval of the map and geographic description by the County Assessor's Office and address any modifications enacted by the Commission.

g) A regional transportation plan adopted pursuant to Section 65080.

The reorganizations would not conflict with San Diego Forward, the regional transportation plan established by the San Diego Association of Governments (SANDAG).

h) Consistency with the city or county general and specific plans.

The affected territory recommended for reorganization is 99% unincorporated and subject to the land use policies of the County of San Diego. The County’s implementing land use policy documents for the affected territory are the Fallbrook, Rainbow, Bonsall, and yet to be completed, Pendleton-De Luz Community Plan’s. These documents guide development toward enhancing and preserving the existing rural character of the communities marked by semi-rural and rural lower density development. The incorporated portion of the affected territory lies within the City of Oceanside and part of the Morro Hills neighborhood. The Oceanside General Plan – which was last updated in September 1986 – designates the area for low density residential use.

i) The sphere of influence of any local agency affected by the proposal.

See agenda report analysis.

j) The comments of any affected local agency or other public agency.

Notice of the submitted reorganization proposals was distributed to all affected and subject agencies as required under LAFCO law. Notices were also provided to all local college and school districts. Copies of all correspondence received on the proposals has been posted online and available on a dedicated page cited at www.sdlafco.org.

k) The ability of the newly formed or receiving entity to provide the services which are the subject of the application to the area, including the sufficiency of revenues for those services following the proposed boundary change.

Eastern MWD is funded through General Fund allocations authorized by the Riverside County Board of Supervisors. The amount of the funding provided to Eastern MWD is considered reliable given the allocations have increased since 2009. At the end of FY 21/22, Eastern MWD’s funding has increased over the last 5 years, with a budget of \$414.6 million.

l) Timely availability of adequate water supplies for projected needs as specified in G.C. Section 65352.5.

The affected territory lies within Rainbow MWD and Fallbrook PUD and eligible to receive potable water service with water supplies currently dependent on local and imported water supplies. The reorganization does not change these baseline conditions.

m) The extent to which the proposal will affect a city or cities and the county in achieving their respective fair shares of the regional housing needs.

The proposed reorganization would not impact any local agencies in accommodating their regional housing needs.

n) Any information or comments from the landowners, voters, or residents.

All correspondence received from landowners, voters, and/or residents on the proposed reorganizations has been posted online and available on a dedicated page cited at www.sdlafco.org.

o) Any information relating to existing land use designations.

See above analysis for (h).

p) The extent to which the proposal will promote environmental justice.

The reorganization has the potential to promote environmental justice by reducing wholesale water supply costs within the affected territory and for any groups that are susceptible to pollution burdens and their effects. This latter category – notably – low-income communities, communities of color, tribal nations, and other disadvantaged groups. Consideration of existing environmental justice factors within the affected territory draw on staff analyzing data available from the California Environmental Protection Agency through its online assessment tool (CalEnviroScreen 4.0). Two composite percentile rankings for the affected territory are generated within this analysis and involves pollution burdens (exposures and environmental effects) and at-risk population characteristics (sensitive populations and socioeconomic factors) relative to all census tracts in California. Key results are summarized below followed by fulling table listings.

- The affected territory’s composite **pollution burdens** ranking falls in the 35 percentile. Six pollution burden measurements exceed the 50 percentile and considered relatively high. These five measurements comprise (a) three exposures involving ozone, pesticides, and traffic as well as (b) three environmental effects involving groundwater threats, impaired water and solid waste sites.
- The affected territory’s composite **at-risk population** ranking falls in the 26 percentile. Two at-risk population measurements exceed the 50 percentile and considered relatively high. These two measurements comprise two socioeconomic factors involving poverty and housing burden.

Rainbow MWD + Fallbrook PUD Pollution Burdens and At-Risk Population Table 2.6a (Source: California Environmental Protection Agency and SD LAFCO)	
Factor	Rainbow MWD + Fallbrook PUD
No. of Census Tracts	28
Estimated Population	245,597
Pollution Burden	Weighted Percentile
... Composite Score	53.11
... Percentile	35.29
Indicator Air Quality: Ozone	54.07
Indicator Air Quality: PM 2.5:	21.04
Indicator Air Quality: Diesel PM:	20.91
Indicator Pesticides:	63.95
Indicator Toxic Releases:	12.15
Indicator Traffic:	58.57
Indicator Drinking Water Contaminants:	47.42
Indicator Lead in Housing:	29.36
Effects Cleanup Sites:	47.42
Effects Groundwater Threats:	52.42
Effects Hazardous Waste:	49.44
Effects Impaired Water:	74.78
Effects Solid Waste:	56.19
At Risk Population Characteristics	Weighted Percentile
... Percentile	26.59
Sensitive Population Asthma:	13.23
Sensitive Population Low Birth Weight:	34.27
Sensitive Population Cardiovascular Disease:	30.83
Socioeconomic Factor Education Attainment:	30.84
Socioeconomic Factor Linguistic Isolation:	19.78
Socioeconomic Factor Poverty:	50.67
Socioeconomic Factor Unemployment:	30.84
Socioeconomic Factor Housing Burden:	55.63

q) Information contained in a local hazard mitigation plan, information contained in a safety element of a general plan, and any maps that identify land as a very high fire hazard zone or maps that identify land determined to be in a state responsibility area, if it is determined that such information is relevant to the affected territory.

The County of San Diego General Plan contains a hazard mitigation plan for potential fire, flooding, and earthquakes. The affected territory lies between Moderate to Very-High Fire Hazard Severity Zone.

- r) **Section 56668.3(a)(1) Whether the proposed annexation will be for the interest of the landowners or present or future inhabitants within the district and within the territory proposed to be annex to the district.**
-

TBD.



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

4C

AGENDA REPORT

Business | Discussion + Possible Action

March 17, 2023

TO: Cities Advisory Committee
FROM: Keene Simonds, Executive Officer
SUBJECT: **Proposed Workplan and Budget for 2023-2024**

SUMMARY

The Cities Advisory Committee (“Committee”) will review a proposed LAFCO workplan and budget for 2023-2024. The proposed workplan outlines 30 activities in priority order and includes continued and new projects with the latter headlined by a countywide municipal service review on healthcare districts. The proposed budget totals \$2.750 million in matching expenses and revenues. More than four-fifths of total expenses – \$2.261 million – covers operating costs and represents an increase of 12.6% over the current fiscal year. Agency apportionments continue to represent nine-tenths of all operating revenues and set to increase by 13.0% via the combination of additional operating expenses plus reduction in budgeted use of reserves. The item is for Committee review and feedback with the opportunity to forward specific recommendations and/or requests to the Commission.

BACKGROUND

San Diego LAFCO is responsible under State law to adopt a proposed budget by May 1st and a final budget by June 15th. A mandatory review by all local funding agencies is required between the two adoption periods.

<p>Administration Keene Simonds, Executive Officer 2550 Fifth Avenue, Suite 725 San Diego, California 92103-6624 T 619.321.3380 F 619.404.6508 www.sdlafco.org lafco@sdcounty.ca.gov</p>	<p>Chair Jim Desmond County of San Diego Joel Anderson County of San Diego Nora Vargas, Alt. County of San Diego</p>	<p>Kristi Becker City of Solana Beach Dane White City of Escondido John McCann Alt. City of Chula Vista</p>	<p>Stephen Whitburn, Vice Chair City of San Diego Marni von Wilpert, Alt. City of San Diego</p>	<p>Jo MacKenzie Vista Irrigation Barry Willis Alpine Fire Protection David A. Drake, Alt. Rincon del Diablo</p>	<p>Andy Vanderlaan General Public Harry Mathis, Alt. General Public</p>
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DISCUSSION

This agenda item is for the Committee to review and provide feedback on a proposed (a) workplan and (b) budget for the upcoming fiscal year. LAFCO adopted both items at its March 6, 2023 meeting with direct to staff to initiate a formal public review period. A user-friendly guide on the proposed workplan and budget is available as Attachment One.

ANALYSIS

San Diego LAFCO's proposed workplan and budget for 2023-2024 reflects a measured true-up to better align activities with available resources. The true-up ties to continuing the Commission's practice to set a full and otherwise proactive workplan with the aid of increasing staff through the re-budgeting of a full-time Assistant Executive Officer position. Re-budgeting the position accounts for three-fifths of the total increase in operating expenses – or \$0.190 of the \$0.264 million – and would advantageously expand LAFCO's organizational capacities and in doing so keep up with the workplan.

RECOMMENDATION

Consider the proposed workplan and budget and provide feedback to staff as well as any formal recommendations and/or requests to the Commission.

ALTERNATIVES FOR ACTION

The following alternatives are available to the Committee:

Alternative One (recommended):

Take no action other than providing feedback to LAFCO staff.

Alternative Two:

Provide specific recommendations and/or requests directly to the Commission.

PROCEDURES FOR CONSIDERATION

This item has been placed on the agenda under the business calendar with the potential to take actions as described above. The following procedures are suggested.

- 1) Receive verbal report from staff unless waived.
- 2) Consider the Committee's preferences.

Respectfully,

Keene Simonds
Executive Officer

Attachment:

- 1) Guide to the Proposed Workplan and Budget for FY2024



PROPOSED

Workplan & Budget Guide

FOR 2023-2024

ADOPTED

About Us

Local Agency Formation Commissions – or LAFCOs – are boundary makers that oversee the creation and expansion of cities and special districts in all 58 counties of California. LAFCOs exercise regulatory and planning powers to coordinate publicly provided services, such as water or fire protection, and match them with community needs.

The goal of every LAFCO is to facilitate smart growth while avoiding urban sprawl.

San Diego LAFCO operates within the second largest county in California as measured by population and currently tasked with overseeing over 100 local governmental agencies.

A summary of San Diego LAFCO's proposed workplan and budget for 2023-2024 follows.

2023-2024 Workplan Guide

The proposed workplan list 30 targeted projects for 2023–2024 comprising both new and continued activities. The targeted projects complement LAFCO’s baseline commitment to process jurisdictional proposals and related service requests in a timely manner and are divided between three priority categories – high, medium, and low. An outline of all 30 projects with additional details on the “Top 10” follows.



No. 1

**Recruit, Hire + Support
Budgeted Staff**
Fill Analysts + AEO Positions



No. 3

Transition Accounting
QuickBooks Change from Desktop
to Cloud Platform



No. 5

Personnel Policies Part II
Begin Implementing Scope of
Work on the Comprehensive Redo



No. 7

Vista Region MSR
Inform Sphere Updates for the Vista,
Vista FPD, Vista ID + Buena SD



No. 9

SALC Planning Grant 2.0
Begin Two Year Grant to Analyze
ROI Opportunities for Small Ag



No. 2

Commissioner Onboarding
Create User-Friendly Guide and
Reference Resource



No. 4

Personnel Policies Part I
Work with RGS in Scope of Work
to Guide Comprehensive Redo



No. 6

Healthcare Districts MSR
Inform Sphere Updates for Tri-City,
Palomar, Grossmont + Fallbrook



No. 8

San Marcos MSR
Inform Sphere Updates for San
Marcos, Vallecitos WD + FPD



No. 10

RCDs’ Ad Hoc Committee

Medium Priorities

- No. 11 | MSR on County Water Authority + MET
- No. 12 | Escondido Governance Study
- No. 13 | White Paper: Growth Management + Housing
- No. 14 | Special Districts Advisory Committee
- No. 15 | Cities Advisory Committee
- No. 16 | Policy Update on Applicant Processing
- No. 17 | Website Content Expansion
- No. 18 | 2022–2023 Outside Audit
- No. 19 | Legislative Proposal to G.C. 56133
- No. 20 | MSR on Encinitas Region

Lower Priorities

- No. 21 | MSR on Del Mar + Solana Beach Region
- No. 22 | Legislative Proposal on G.C. 56430
- No. 23 | Website Tool: Service + Fiscal Indicators
- No. 24 | White Paper: School Districts
- No. 25 | Liaison with Local Tribes
- No. 26 | Policy Update on Rule 4 (District Functions + Classes)
- No. 27 | Cities Advisory Committee Bylaws
- No. 28 | Special Districts Advisory Committee Bylaws
- No. 29 | Annual Local Agency Directory
- No. 30 | White Paper: Community Choice Aggregations

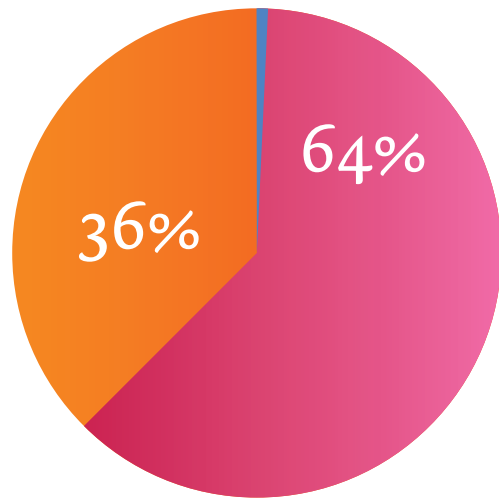
For a complete listing of the draft workplan, please visit: sdlafco.org

2023-2024 Budget Guide

San Diego LAFCO’s proposed budget for 2023–2024 ties directly to funding the associated workplan and sets total matching expenses and revenues at \$2.750 million. More than four-fifths of total budgeted expenses and revenues tie to operating units. Operating expenses total \$2.261 million, which represent a net change of 12.6% – or \$253, 211 – over the current fiscal year. The remaining portion of the total budget involves non-operating units and largely transacting revenues and expenses tied to a State planning grant and debt service.

Key budgeted operating expenses and revenues follow.

Operating Expenses: \$2.261 Million



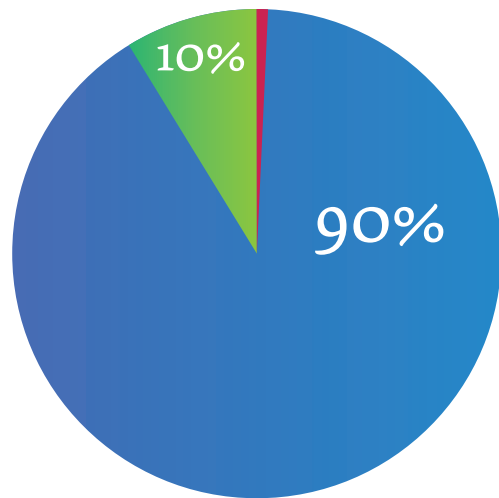
Salaries and Benefits Cost

- \$1.436 million; an increase of (14.5%) over prior year
- Amount equals 64% of all operating expenses
- Increases staffing from 8.0 to 9.0 fulltime employees
 - Addition involves re-establishing the Assistant Executive Officer position
- Accommodates previously approved cost-of-living adjustments for all employees

Services and Supplies Cost

- \$0.825 million; an increase of 9.5% over prior year
- Amount equals 36% of all operating expenses
- Three largest group costs:
 - 1 Professional services: \$0.296 million
 - 2 Office space: \$0.145 million
 - 3 County Information Technology: \$0.125 million

Operating Revenues: \$2.254 Million



Application Fees

- \$0.200 million; 17.6% change over prior year
- Amount equals 8.9% of all operating revenues

Local Agency Contributions

- \$2.039 million; an increase of 13.0% over prior year
- Amount equals 90% of all operating revenues
- Allocation set by State law as follows:
 - 1 County of San Diego covers \$0.582 million
 - 2 Cities less City of San Diego covers \$0.582 million
 - 3 Districts covers \$0.582 million
 - 4 City of San Diego \$0.291 million



PROJECTED 2023–2024 FUND BALANCE

Committed Stabilization:	250,000
Committed Opportunity:	400,000
Assigned:	62,500
Unassigned:	798,375
TOTAL:	1,510,875



TOP CITY ALLOCATION

1. San Diego
2. Carlsbad
3. Oceanside
4. Escondido
5. El Cajon

TOP DISTRICT ALLOCATIONS

1. Otay Water
2. Helix Water
3. Padre Dam Municipal
4. Vallecitos Water
5. Olivenhain Municipal

San Diego LAFCO's Commission

San Diego LAFCO is governed by a 13-member "Commission" comprising county, city, special district, and public members. All Commissioners are appointed elected officials with the exception of the two public members. Commissioners serve four-year terms and divided between "regulars" and "alternates" and must exercise their independent judgment on behalf of the interests of residents, landowners, and the public as a whole. Commissioners are subject to standard disclosure requirements and must file annual statements of economic interests. The Commission has sole authority in administering its legislative responsibilities and decisions therein are not subject to an outside appeal process.



Jim Desmond
Chair
County of San Diego



Stephen Whitburn
Vice Chair
City of San Diego



Joel Anderson
Commissioner
County of San Diego



Kristi Becker
Commissioner
City of Solana Beach



Jo MacKenzie
Commissioner
Vista Irrigation



Andrew Vanderlaan
Commissioner
Public Member



Dane White
Commissioner
City of Escondido



Baron Willis
Commissioner
Alpine Fire Protection



David Drake
Alternate
Special District Member



Harry Mathis
Alternate
Public Member



John McCann
Alternate
City of Chula Vista



Nora Vargas
Alternate
County of San Diego



Marni von Wilpert
Alternate
City of San Diego