

Santa Fe Irrigation District



May 22, 2023

San Diego County Local Agency Formation Commission
2550 Fifth Avenue, Suite 725
San Diego, CA 92103

Subject: Comments – Proposed Fallbrook PUD and Rainbow MWD Reorganizations: concurrent annexations to Eastern MWD, as well as the detachment from San Diego County Water Authority (SDCWA), along with the related actions.

To: Honorable Chair Desmond and Commissioners,

As one of the San Diego County Water Authority's member agencies, Santa Fe Irrigation District would like to provide comments regarding the proposed reorganizations of Fallbrook PUD and Rainbow MWD, respectively. SFID wants to express our opposition to the proposed Fallbrook PUD and Rainbow MWD reorganization – concurrent annexations to Eastern MWD, as well as the detachment from San Diego County Water Authority (SDCWA), along with the related actions.

We have reviewed the LAFCO staff recommendations, but we're deeply concerned about the long-term negative impacts of detachments on the water ratepayers of San Diego County residents while favoring the short-term economic gains of Fallbrook PUD and Rainbow MWD ratepayers.

SFID urges the LAFCO commissioners to carefully consider the potential implications of this reorganization action, as it will decrease supply reliability for the communities served by Fallbrook PUD and Rainbow MWD. The LAFCO staff noted Dr. Hanemann's report, which highlights that these agencies would be taking a significant gamble on supply reliability by switching from SDCWA to EMWD. Relying on a temporary solution during a drought emergency could prove to be an expensive proposition. Approving detachment would expose these communities to higher levels of financial risk, burdening them with long-term consequences in exchange for short-term savings. Such an outcome contradicts LAFCO's mission to promote the efficient delivery of local government services for these communities and imposes unnecessary financial risks.

In the event that the detachment is approved with an exit fee, our concerns regarding the proposed exit fee methodology utilized by the LAFCO staff are as follows:

1. Inconsistency with independent consultant's recommendations: The offsetting credit for the value of the avoided costs for the planned Emergency Supply Project fails to account for the region's existing debt incurred for the QSA. Additionally, it neglects to include the cost of reliability associated with Desalination, Twin Oaks Treatment Plant, and Emergency Storage Projects, which provide higher levels of reliability for the entire region.

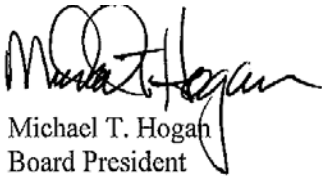
2. Unreasonable exit fee timeline: The proposed exit fee timeline should be based on a thorough financial analysis rather than being compared to unrelated planning and reporting requirements such as the Urban Water Management Plan and Municipal Service Reviews, which are conducted every five years. Although these planning documents are updated every five years, their planning horizon typically extends beyond twenty years.
3. Failure to account for a full share of obligations: The exit fee proposed by the LAFCO staff fails to account for the full share of obligations associated with past bonds by the San Diego County Water Authority (CWA). CWA has made significant investments in regional water supply infrastructure, and it is the financial responsibility of all member agencies, including Fallbrook PUD and Rainbow MWD, to fulfill their share of these obligations.
4. Lack of reassessment of financial obligations: In LAFCO's third-party consultant's report, Dr. Hanemann's viewpoint that calculating a "long-run" economic impact on CWA and its member agencies is challenging. Therefore, it is crucial that the staff recommend a reassessment of Fallbrook PUD and Rainbow MWD's remaining financial obligations every five years until their full obligations are adequately accounted for.
5. If the Detachment is approved with an exit fee, the recommendation should include a stipulation that the exit fee be returned to CWA's member agencies as LAFCO's report specifically identified the financial impacts of the detachment on CWA's member agencies.

In conclusion, SFID strongly urges the LAFCO commissioners to consider rejecting the proposed Fallbrook PUD and Rainbow MWD reorganization. It is essential to prioritize the economic well-being of all water ratepayers in San Diego County and to ensure the continued supply reliability for the communities involved. We trust that you will carefully consider these concerns and decide to uphold the best interests of the residents and businesses that rely on these vital water services. We have reviewed the LAFCO staff recommendations, but we're deeply concerned about the long-term negative impacts of detachments on the water ratepayers of San Diego County residents while favoring the short-term economic gains of Fallbrook PUD and Rainbow MWD ratepayers. The Water Authority is currently proposing a 14% rate increase for calendar year 2024, with equivalent increases in the next several years. Water affordability is already of grave concern to member agencies as we face difficult decisions on reducing services and projects at a local level to accommodate for the proposed increases. An additional layer of financial burden will shift more costs to our ratepayers during an economically challenging time nationwide. We fear this may be more than our communities can bear.

Letter to San Diego County Local Agency Formation Commission
May 22, 2023
Page 3

Thank you for the opportunity to comment, and we very much appreciate the time and effort of the staff, the commissioners, and all water districts involved in this very difficult and complex situation. We sincerely hope that the spirit of collaboration will continue in our region as we all work to find equitable, affordable solutions to our water supply and economic challenges.

Sincerely,



Michael T. Hogan
Board President

cc: Albert Lau, GM, SFID