August 3, 2020

TO: Commissioners

FROM: Keene Simonds, Executive Officer
Robert Barry, Chief Policy Analyst

SUBJECT: Advisory Committee Update |
Proposed Rainbow MWD and Fallbrook PUD Reorganizations

SUMMARY

The San Diego County Local Agency Formation Commission (LAFCO) will receive an update on the Advisory Committee formed for the Rainbow MWD and Fallbrook PUD reorganization proposals. The 10-member Advisory Committee was established by the Commission in June 2020 and tasked with advising LAFCO staff in the evaluation of the proposals with respect to statutory factors as well as local considerations. The update is being provided at the request of the Commission and includes addressing agenda topics and related discussion from the Advisory Committee’s July 6th meeting as well as agenda topics set for the next meeting scheduled for the afternoon on August 3rd. Item is for information and discussion only.

BACKGROUND

Reorganization Proposal Filings by Fallbrook PUD and Rainbow MWD |
County Water Authority Applications for Alternative Conducting Authority Proceedings

San Diego LAFCO received separate reorganization proposals in March 2020 from Fallbrook PUD and Rainbow MWD seeking Commission approval to concurrently (a) detach from the County Water Authority and (b) annex to Eastern MWD. The stated purpose of the reorganizations as detailed in the proposal materials is to achieve cost-savings for the
agencies by transitioning the purchase of wholesale supplies. Staff currently anticipates an approximate 15 to 20-month timeline to process the reorganization proposals and this includes soliciting input from Riverside LAFCO based on an earlier agreement with the Commission.\(^1\) Copies of both Fallbrook PUD and Rainbow MWD’s proposals are available on the Commission website. Also available on the website are two responding applications from the County Water Authority to apply alternative conducting authority proceedings for both proposals, which were subsequently approved by the Commission at its May 2020 meeting.\(^2\)

**Establishment of an Advisory Committee**

San Diego LAFCO established the Advisory Committee on the Fallbrook PUD and Rainbow MWD reorganization proposals at its June 2020 meeting. The Advisory Committee includes 10-members and tasked to directly advise LAFCO staff in real-time on both statutory factors as well as local considerations and done so in recognition of the complexities and controversies underlying both proposals. The Commission also requested staff to provide regular updates on the Advisory Committee in step with ensuring timely and constructive proceeding/. The Advisory Committee roster was subsequently finalized by the Executive Officer following the June meeting and identified below.

<table>
<thead>
<tr>
<th>Advisory Committee</th>
<th>Rainbow MWD and Fallbrook PUD Reorganization Proposals</th>
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<tbody>
<tr>
<td><strong>Member</strong></td>
<td><strong>Title</strong></td>
</tr>
<tr>
<td>Jack Bebee</td>
<td>General Manager</td>
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<tr>
<td>Tom Kennedy</td>
<td>General Manager</td>
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<tr>
<td>Nick Kanetis</td>
<td>Assistant General Manager</td>
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<tr>
<td>Sandy Kerl</td>
<td>General Manager</td>
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<tr>
<td>Lydia Romero</td>
<td>City Manager</td>
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<tr>
<td>Kimberly Thorner</td>
<td>General Manager</td>
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<tr>
<td>Gary Croucher</td>
<td>Board Member</td>
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<tr>
<td>David Cherashore</td>
<td>Mayor Appointee</td>
</tr>
<tr>
<td>Brian Albright</td>
<td>Park and Recreation Director</td>
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<tr>
<td>Rachel Cortes</td>
<td>Senior Researcher</td>
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</tbody>
</table>

\(^1\) In October 2019, San Diego and Riverside LAFCOs entered into an agreement to delegate all processing approvals for the Fallbrook PUD and Rainbow MWD reorganization proposals – including associated sphere amendments – to San Diego LAFCO. The agreement specifies San Diego LAFCO shall actively consult with Riverside LAFCO in processing the reorganizations and this includes providing input on all related recommendations.

\(^2\) Approval of the alternative process was based on the County Water Authority meeting certain criteria under statute and substantively means any approval of the reorganization proposals will bypass standard protest proceedings and directly proceed to a confirmation election of registered voters. The Commission separately took no action involving two 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 24 member agencies’ jurisdictions.
DISCUSSION

This agenda item is for San Diego LAFCO to receive its scheduled update on the Advisory Committee on the Fallbrook PUD and Rainbow MWD reorganization proposals. This includes reviewing the below summary of agenda topics covered at the Advisory Committee’s first meeting held on July 6th as well as scheduled topics for the next August 3rd. Copies of written correspondence received relating to the Advisory Committee and commencing with its first meeting are also attached for Commission review.

Initial July 6th Meeting

The Advisory Committee’s initial meeting on July 6th was held by videoconference with full attendance. The meeting was purposefully set by the Executive Officer to focus on non-substantive issues and marked by providing a primer on processing boundary changes under statute as well as discussing the status of the two reorganization proposals. The subject agencies’ representatives also were given the opportunity to discuss their agencies’ core interests and objectives in participating in the Advisory Committee. A copy of the agenda is attached and a video recording of the meeting is available on the LAFCO website.

Scheduled August 3rd Meeting

The next meeting of the Advisory Committee is scheduled for August 3rd at 1:00 P.M. and will be held by videoconference and live-stream online. Agenda topics for the meeting are intended to cover more substantive topics and include the following:

- Commission Counsel Overview
  - LAFCOs’ responsibility under the California Environmental Quality Act
  - LAFCOs’ authority (scope and scale) to condition proposals

- Need and Role of Outside Consultants
  - Water reliability
  - Water rate impacts
  - Potential exit fees

- Addressing Outside Input/Comments
  - Other County Water Authority members

ANALYSIS

San Diego LAFCO’s first meeting of the Advisory Committee on the Fallbrook PUD and Rainbow MWD reorganization proposals proceeded as planned and proved productive in covering baseline review factors and generating consensus on future topics. This consensus is reflected in the agenda set for the next meeting and – importantly – highlighted by commencing discussions on key service and financial issues informing the potential merits/demerits of the reorganization proposals. Nonetheless, staff is in receipt of
Correspondence from the County Water Authority outlining their concerns with certain representations made by staff during the July 6th meeting (Attachment Five). Staff respectfully disagrees with the County Water Authority and believes the referenced comments were appropriate overall given their specific context but will remain mindful of the underlying concerns going forward.

RECOMMENDATION

It is recommended San Diego LAFCO discuss the item and provide feedback.

ALTERNATIVES FOR ACTION

No action; discussion and feedback only.

PROCEDURES

This item has been placed on San Diego LAFCO’s agenda for discussion as part of the business calendar. The following procedures, accordingly, are recommended in the consideration of this item:

1) Receive verbal presentation from staff unless waived.
2) Invite comments from interested audience members (voluntary).
3) Discuss item and provide any feedback as appropriate.

Respectfully,

Keene Simonds
Executive Officer

Attachments:
1) Agenda from Advisory Committee’s July 6th Meeting
2) July 2nd Letter from County Water Authority
3) July 6th Email Submittal from Mark Muir
4) July 6th Email Submittal from Rodney T. Smith
5) July 15th Letter from County Water Authority
6) July 23rd Letter from Fallbrook PUD (Best Best & Krieger)
7) July 25th Letter from Rainbow MWD (Nossaman LLP)
SPECIAL MEETING AGENDA

AD HOC ADVISORY COMMITTEE
- Rainbow MWD & Fallbrook PUD Reorganization Proposals -

Monday, July 6, 2020 at 9:00 A.M.
Videoconference Attendance Only

Live Public Viewing Available on San Diego LAFCO’s YouTube Channel

Moderator Keene Simonds
San Diego LAFCO Executive Officer

1. CALL TO ORDER & WELCOMING

2. INTRODUCTIONS & COMMITTEE ROLL CALL

3. PUBLIC COMMENT
   This is an opportunity for any member of the public to provide comments on a non-agenda topic germane to the Advisory Committee. The public may submit comments by emailing erica.blom@sdcounty.ca.gov. Comments received prior to the conclusion of public comment period will be read and/or summarized by the Committee and posted online.

4. BUSINESS ITEMS

   a) LAFCO Process Overview (10 minutes)
   The Advisory Committee will receive a presentation from LAFCO staff summarizing baseline procedures in the evaluation of jurisdictional change proposals under the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000. The presentation will also summarize LAFCO’s responsibilities under other germane statutes, including the California Environmental Quality Act. Information only.

   b) Current Status of Reorganization Proposals (5 minutes)
   The Advisory Committee will receive an update from LAFCO staff on the current processing status of the reorganization proposals filed by Fallbrook PUD and Rainbow MWD separately requesting concurrent detachments from County Water Authority and annexations to Eastern MWD. Information only.
BUSINESS ITEMS CONTINUED…

c) **Expectations for Advisory Committee (10 minutes)**
LAFCO staff will discuss the Commission’s expectations for the Advisory Committee and related tasks in the evaluation of the Fallbrook PUD and Rainbow MWD reorganization proposals. Information only.

d) **Expectations from Subject Agencies (10 minutes)**
Representatives from the four subject agencies – Fallbrook PUD, Rainbow MWD, Eastern MWD, and San Diego County Water Authority – will be asked to share their expectations and interests in the work of the Advisory Committee. Information only.

e) **Agenda Setting for Next Meeting (5 minutes)**
The Advisory Committee will provide input on scheduling the next meeting along with identifying agenda items.

5. **ADJOURNMENT**

Attest to Posting

Tamaron Luckett
Commission Clerk

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