



VALLEY CENTER MUNICIPAL WATER DISTRICT

A Public Agency Organized July 12, 1954

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December 31, 2019

Honorable Dianne Jacob, Chair
County of San Diego Local Agency Formation Commission
9335 Hazard Way, Suite 200
San Diego, CA 92123

Re: Valley Center Municipal Water District Draft MSR Comments

Dear Chair Jacob;

We have reviewed the complete Draft Municipal Service Review for our agency and have the following comments which we would like to have provided in material going to the Commission for the January 6, 2020 Commission Meeting, as well as included in the public record of that meeting.

Our comments are as follows:

1. Page 21, 2nd Paragraph

In the discussion about the transition from agricultural to more urban, the draft states, "The transition is primarily attributed to the combination of higher water rates for agricultural users due to reductions in subsidies caused by recent droughts and demand for housing near transportation corridors."

This is not correct. The dollar amount of the "subsidies" has actually increased from \$33 per acre foot in 1990, to over \$550 per acre foot currently. Unfortunately, the wholesale price of water has also increased at the same time or even at a faster clip. In terms of rate differential, the discount then and now has represented a 27% to 30% differential to M&I rates. Further, these are not "subsidies" but reflect that, ***in exchange for a lower water rate, commercial agricultural users have accepted a lower level of reliability during droughts and emergencies*** by having no access to IID Transfer / Canal Lining or Desalinated Seawater supplies, reduced access to the SDCWA Emergency Storage Project Supply, and precluded from access to the SDCWA Carry-over Storage supply.

As for housing demand near transportation corridors leading to reduction in agricultural activity, the land which had hosted the largest crops in terms of water usage in Valley Center, avocados, was/is on steep, rocky land and was recently downzoned by the County of San Diego to the point where it is physically and economically unsuitable for development.

In fact, it has been the dramatic overall increase in the cost of wholesale water from MWD and the SDCWA (233% since 2000; from \$470/AF to \$1552/AF in 2019) which has reduced ag activity and associated water demand.

2. Page 23; 4.2, Recommendations, Item 2.

“2. San Diego LAFCO should address and reconcile Valley Center MWD’s recycled water service activity as part of a future update to Commission Rule No. 4 with respect to formally identifying the function, class and authorized location under statute.”

Prior to adoption of the final MSR, we would appreciate clarification as to what is being proposed in this recommendation.

As an inland discharge agency, all wastewater being treated by VCMWD is being and will be reclaimed, either directly by landscape irrigation or indirectly by groundwater recharge through percolation. As part of our wastewater treatment and reclamation planning we look for and evaluate sites for reclamation near the treatment source having landscape applications which can accept the higher TDS water, and overlying groundwater basins or sub-basins with RWQCB Basin Plan Objectives allowing for the application of the reclaimed water.

Valley Center MWD staff looks forward to additional discussion with LAFCO staff as to specific context and intention of this recommendation.

3. Page 23; 4.2 Recommendation, Item 5.

“5. San Diego LAFCO recommends the County of San Diego require future development approvals connect to Valley Center MWD’s wastewater facilities and avoid the creation of new systems in the region unless unique and special conditions merit otherwise.”

While this recommendation points to an ideal solution, the reality is that for inland discharge systems with limited and sometimes finite disposal or absorption capacity, requiring all development to connect to existing systems may not be practical or even feasible. Further, LAFCO should consider that Valley Center MWD has a large service area and it may not be practical or economically feasible to connect developments in the far-reaches of the service area to existing wastewater treatment facilities. Finally, LAFCO should also be mindful that many areas in Valley Center are zoned for large, 2-acre+ parcels amendable to sub-surface disposal and will not require connection to conventional wastewater treatment facilities.

We would advise that the recommendation should be more along the lines of: “San Diego LAFCO recommends that wherever economically or physically feasible, new development should be required to connect to the two existing systems, subject to an engineering, environmental and economic review by VCMWD to determine the need for conventional wastewater treatment, accessibility to existing facilities, and current and potential treatment and disposal capacity.”

Same comment applies for Page 35, Section 5.5, Item 3.

4. P. 27, 5.3, Capacity of Public Facilities and Infrastructure Needs and Deficiencies, Item 2. (a), ii.

“ii. Valley Center MWD’s potable water supplies are entirely drawn by *contract* from the San Diego County Water Authority.”

VCMWD does not, nor do any of the other member agencies, have a “contract” with the SDCWA. We are a member agency, are a part of the SDCWA governing structure and, as such, have access to the water they deliver, subject to our demands and the SDCWA’s limitations on delivery, in terms of aqueduct capacity and/or imported water supply availability.

5. P. 34, Section 5.5, Status and Opportunities for Shared Facilities and Resources, 1.(a)

“Valley Center MWD has established interties with the City of Escondido, Rainbow MWD and Yuima MWD, as well as the San Pasqual Band of Mission Indians.....

Not only does VCMWD have interties with adjacent agencies, it also has 7 aqueduct connections located from the extreme southern end to the extreme northern end of its service area on two completely separate SDCWA Aqueducts, tied to two treatment plants; one operated outside San Diego County by MWD (Skinner), and one operated by SDCWA (Twin Oaks). In addition, it has access to one 50 mgd Desal Plant and the almost 200,000 AF of SDCWA ESP and Carry-over Storage. Further, we also have a Mutual Aide Agreement with the SDCWA and all the 23 other SDCWA Member Agencies. Finally, the Aqueduct, Treatment, Conveyance and Storage system owned and operated by the SDCWA fully connects and integrates all of its 24 member agencies. This system, along with the cooperative nature and shared resources of its member agencies, has historically provided a very high degree of operational flexibility and reliability for the San Diego Region.

6. Page 40, Agency Profile, 2.3, Post Formation Proceedings (top page 40)

“A statewide drought and cutback in Water Authority supplies prompts Valley Center MWD to eliminate agricultural supply supports....

This is incorrect. The price supports for commercial agriculture were provided by MWD under the Ag Discount Program passed through the SDCWA to the SDCWA Member Agencies. The MWD board stopped the discount in early 1990 in response to the drought, not Valley Center MWD.

The MWD Board vote to resume the Agricultural Discount Program did resume in May of 1994 as the *Interim Ag Water Program (IAWP)*, an action in which Valley Center MWD played a central role in advocating for and securing the program. The SDCWA added the Special Ag

Water Rate (SAWR) Program on top of the IAWP in 1998 to offset the cost impact of the SDCWA Emergency Storage Project, expanded the SAWR in 2003 to offset the cost impact of the IID Transfer Agreement, again in 2007 to offset the cost of the SDCWA Carry-over Storage Project, and again in 2015 to offset the cost of the Carlsbad Desalination supply. MWD ended IAWP in 2012, but the SDCWA continued the SAWR which then later became the Transitional SAWR and has recently taken action to make it a permanent program.

7. Page 41 – Agency Profile, 3.0 Boundaries, 3.1 Jurisdictional Boundary

“There are now two major casinos – Harrah’s Rincon and Valley View – in its jurisdictional boundary.”

Valley View, owned by the San Pasqual Band, is in the Valley Center MWD Boundary; Harrah’s, owned and served by the Rincon Band, is not within the Valley Center MWD Boundary.

8. Page 49 – Service Demands (first paragraph)

Reporting 681 gpd as the average daily demand per person for the fulltime population, without pointing out that the overall VCMWD water usage includes commercial agricultural use, is somewhat misleading in the context of comparing urban type water use.

9. Page 50 – Service Performance (top of the page)

“Rincon del Diablo MWD’s potable water system.....”

10. Page 59 – Section 7.2, Measurements; Liquidity, Capital, Margin

In fairness, you might mention that the decline in capital is tied to annual depreciation on the existing water and wastewater system in a period where there has not been much in terms of new capital contributions either from VCMWD CIP and/or new development. You are also not taking into account that much of the negative annual operational outcome is due to a non-cash depreciation expense charged to operational expenses.

Further, your statement in this paragraph that “Valley Center MWD’s debt to net position.....reduces the ability to secure outside capital” would only be valid if the underwriting community stopped at a “macro level” analysis of the District financial condition.

This concludes our comments at this time. Thank you for the opportunity to comment.

As stated above, Valley Center MWD would request that this letter of comment be included in materials going to the Commission and in the public record of the LAFCO Commission Meeting on January 6, 2020.

If you should have any questions or need additional information regarding these comments, please feel free to contact me at your earliest convenience.

Sincerely;

A handwritten signature in black ink, appearing to read 'Gary Arant', with a stylized flourish at the end.

Gary Arant
General Manager

cc: Honorable Jim Desmond, Chair
Honorable San Diego LAFCO Commissioners
Keene Simonds, Executive Officer