

August 9, 2021

From: Michael Hanemann

To: SDCWA, FPUD and RMWD

POTENTIAL DEPARTURE FEE

One of the three items I was asked to address is a potential Departure Fee. I was tasked with quantifying what - if any - departure fees (also referred to as exit charges) should be made conditions of approval if the San Diego County LAFCO Commission approves either or both of the de-annexation proposals submitted by Fallbrook and Rainbow.

I am aware that there is currently disagreement among some of the parties with respect to whether LAFCO has the legal authority to prescribe conditions of approval that include financial terms such as a departure fee. I am not being asked to opine on this legal question. I am being asked, instead, to examine whether there is a sound economic justification for requiring a departure fee and, if so, what is an appropriate amount for that fee.

From an economic perspective, it seems to me that there is a sound economic case for requiring some sort of departure fee: the majority of the water received by FPUD and RMWD from SDCWA in recent years has been – either directly or in lieu – QSA water purchased by SDCWA and conveyed to SDCWA by MWD. This is water for which SDCWA has made a long-term purchase commitment.

Before I develop my own recommendation for the terms and magnitude of a departure fee, I would be interested in hearing directly from the parties – SDCWA, FPUD and RMWD – their own recommendations for a departure fee, including whether it should be a single lump sum payment or an annual payment for a number of years, what amount and, if payable over a number of years, then how many years. I would also like the parties to specify in detail the rationale for their assessment of this departure fee.