

From: Hattam, Mark

Sent: Monday, March 7, 2022 11:03 AM

To: Simonds,Keene

Cc: mwhatley@chw.law.us <mwhatley@chw.law.us>; Kerl, Sandy <SKerl@sdewa.org>; Catacutan, Jennifer <JCatacutan@sdewa.org>; Thompson, Frances <FThompson@sdewa.org>; Paula De Sousa (Paula.deSousa@bbkllaw.com) <paula.desousa@bbkllaw.com>; Alfred E. Smith <asmith@nossaman.com>; Kanetis, Nick <kanetisn@emwd.org>; Kennedy, Tom <tkennedy@rainbowmwd.com>; Bebee, Jack <jackb@fpud.com>; Adam Wilson <adwilson858@yahoo.com>; Claire H. Collins <CCollins@hansonbridgett.com>

Subject: LAFCO Letter

Keene:

Attached is the more detailed letter I referenced in my comments today. Please share it with the Commission and Ad Hoc Committee members.

Also, just a few quick remarks in response to matters raised today that we can all discuss in more detail later. Please feel free to forward this e-mail to the Commission and Ad Hoc Committee members also (it is cc'd to the parties):

1. In response to the inquiry about the Coronado detachment, we addressed this in our September 2020 Response. Most notably see our Exhibit 65, and this text in the Response at page 144 regarding it:

"Interestingly, when Coronado detached from the Water Authority in 1946, almost immediately after the Water Authority's creation, the issue of the meaning of the [statutory] text was addressed by the Water Authority's then General Manager and General Counsel. They interpreted the statute's language as including even certain minor service and employment agreements and costs, but no bonds had yet been issued. They also decided that as a practical matter existing surplus that year could pay those minimal expenses. A copy of that correspondence is attached in the Appendix as Exhibit "65." Though Coronado and the Ramona Irrigation District detached in 1946, at that time there were no meaningful Water Authority obligations or debt, nor had the Legislature created the LAFCO Statutes." (Emphasis added)

2. Jack Bebee stated today (again) that the County Water Authority is expressly limited to historic property taxes. This, from our perspective, is simply not true. Rather, the statute's text states that the Water Authority can collect for all outstanding debts and bonds. As we cite in our Response, the text reads that the area detaching: "shall continue to be taxable by the county water authority for the purpose of paying the bonded and other indebtedness of the county water authority outstanding or contracted for at the time of the exclusion and until the bonded or other indebtedness has been satisfied" (CWA Act Section 45(11)(a)(2).) There is no limitation as to

existing taxes, and indeed the clear intent is to cover the Water Authority for all outstanding obligations. We provide a full analysis of the text in our Response.

3. In response to a Commissioner's question about getting a full summary of the losses the rest of the County's ratepayers and taxpayers will have to bear should detachment be approved, we provide a full analysis in our Response at pages 48 *et seq.* The base year loss is about \$16 million per year, and can exceed \$40 million per year, as carefully walked through in our Response. These losses would continue for many decades.

Thank you for your continued help in processing these matters. If you, Holly, or staff have any questions, please let us know.

Mark J. Hattam
General Counsel

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