



San Diego County
Local Agency Formation Commission
 Regional Service Planning | Subdivision of the State of California

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AGENDA REPORT
 Public Hearing

April 4, 2022

TO: Commissioners

FROM: Keene Simonds, Executive Officer
 Priscilla Allen, Analyst I

**SUBJECT: Proposed “Fallbrook PUD Latent Powers Activation” |
 Parks and Recreation, Street Lighting, and Roads & Streets Service Functions**

SUMMARY

The San Diego County Local Agency Formation Commission (LAFCO) will consider a reorganization proposal filed by Fallbrook Public Utility District (PUD) to activate additional service functions within its jurisdictional boundary. Requested activations involve parks and recreation, street lighting, and roads and streets and follows coordination with local non-profits for Fallbrook PUD to help organize and fund related community beautification projects. Staff recommends proposal approval as submitted with terms – including Fallbrook PUD formal action, as part of its upcoming rate setting process, to lower the level of unrestricted secured property taxes currently allocated to offset water rate costs, to fund the newly activated functions. Protest proceedings would also apply.

BACKGROUND

Applicant Request

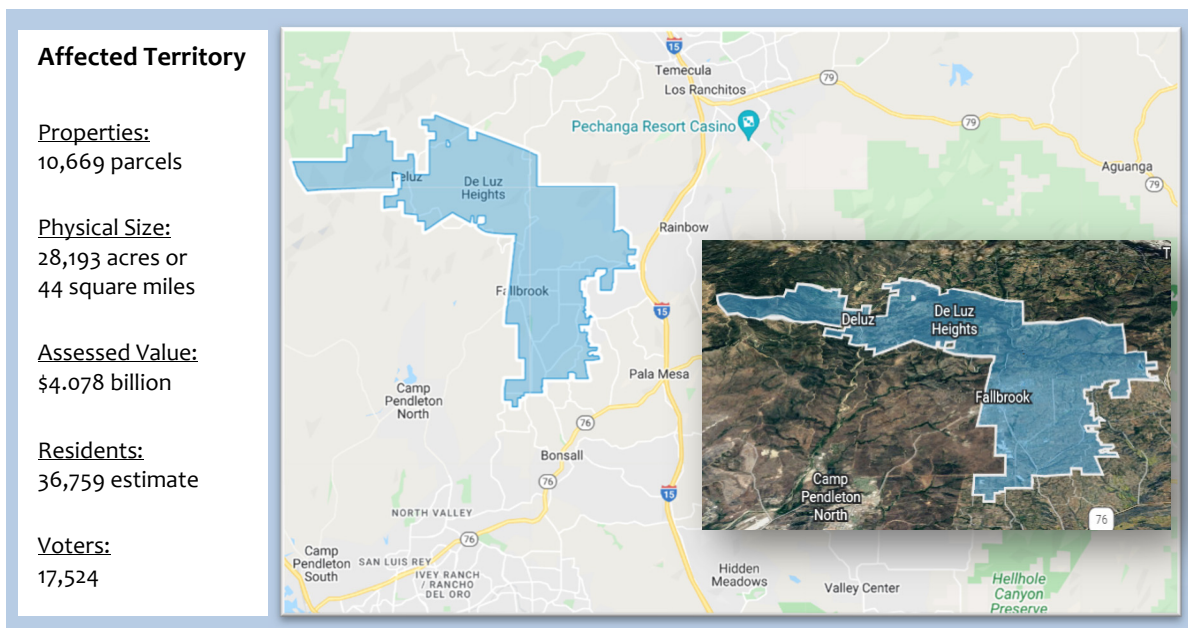
San Diego LAFCO has received a resolution of application from Fallbrook PUD requesting approval to activate three new service functions allowed under the PUD principal act (“Public Utility District Act”) involving parks and recreation, street lighting, and roads and streets. The affected territory as submitted comprises Fallbrook PUD’s entire 28,193-acre

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jurisdictional boundary with an estimated resident population of 36,759. The affected territory is entirely unincorporated and further defined by 10,669 legal parcels with a total assessed land value of \$4.078 billion (excludes improvements). There are 17,524 registered voters. The requested activations would add to Fallbrook PUD’s existing functions involving water, wastewater, and recycled water with the latter two geographically limited.

Regional Setting

The affected territory comprises the entirety of Fallbrook PUD’s jurisdictional boundary in north San Diego County. The unincorporated community of Fallbrook anchors the affected territory along with the smaller adjacent communities of De Luz, De Luz Heights, and Winterhaven. The affected territory equals 1.0% of all San Diego County and characterized by a village setting within Fallbrook with outlying lands consisting of rolling hills covered in avocado and citrus orchards as well as an increasing number of large residential estates. Interstate 15 and State Route 76 serve as primary accesses routes to the affected territory from the north (Temecula), west (Camp Pendleton), south (Valley Center), and east (Rainbow Valley). An aerial map of the affected territory and its regional setting follows. Attachment One provides a more detailed map of the affected territory.



Subject Agencies

The proposed reorganization before San Diego LAFCO involves one subject agency: Fallbrook PUD. A summary of the Fallbrook PUD in terms of their governance, municipal functions, and financial standing follows.

- Fallbrook PUD is an independent special district formed in 1922. A directly elected five-member Board of Directors governs Fallbrook PUD and its three active municipal functions and associated classes: potable water (retail); wastewater (collection, treatment, and disposal); and recycled water (retail). Water services are activated for the entire jurisdictional boundary while wastewater and recycled water services are geographically limited by LAFCO to the “Village” and “Live Oak Park” areas in step with Fallbrook PUD serving as successor agency to the Fallbrook Sanitary District beginning in 1994. Fallbrook PUD’s actual budget expense at the end of the last audited fiscal year was \$31.03 million and reflects an overall change of 1.5% over the prior three-year period. The audited net position at the end of 2020-2021 was \$103.8 million with the unrestricted portion tallying \$10.11 million. The unrestricted amount is adjusted to \$118.5 million less pension and related retiree liabilities and equivalent to covering more than 45 months of recent actuals.

Affected Local Agencies

The affected territory lies within the jurisdictional boundaries and/or spheres of influence of eleven local agencies directly subject to San Diego LAFCO. These agencies qualify as “affected agencies” relative to the proposed reorganization and listed below.¹

- County Service Area No. 81
- County Service Area 135 (regional communications)
- Fallbrook PUD
- Fallbrook Regional Healthcare District
- Metropolitan Water District of Southern California
- Mission Resource Conservation District
- North County Fire Protection District
- San Diego County Fire Authority
- San Diego County Flood Control District
- San Diego County Street Lighting District
- San Diego County Water Authority

DISCUSSION

This item is for San Diego LAFCO to consider approving – with or without discretionary modifications – the proposed reorganization to activate Fallbrook PUD’s latent powers to provide (a) parks and recreation, (b) street lighting, and (c) roads and streets functions. The Commission may also consider applying terms so long as it does not directly regulate land use, property development, or subdivision requirements. Additional discussion on proposal purpose, related development opportunities, and Commission focus follows.

¹ State law defines “affected local agency” as any entity that contains, or would contain, or whose sphere contains or would contain, any territory for which a reorganization is proposed or ordered. Notice of the proposal and hearing were provided to the agencies.

Proposal Purpose

The purpose of the proposed reorganization before San Diego LAFCO is to expand Fallbrook PUD’s authorized service functions under its principal act in coordination with a request from local non-profit organizations to help organize and fund local beautification projects through PUD’s public monies. The requested activations – parks and recreation, street lighting, and roads and streets – are intended to supplement existing service powers exercised by the County of San Diego and County Service Area (CSA) No. 81 as well as volunteer activities by non-profit organizations. Contemplated projects to be provided by Fallbrook PUD through the activation of these new functions involve installing and maintaining ornamental trees, planters, lighting and benches in public spaces as well as creating new parks, preserves, and community spaces. Non-profit organizations cited in the application materials in support of the reorganization and their service activities follow.

- Wildlands Conservancy:
Owns and manages the 1,380-acre Santa Margarita River Preserve that provides recreation opportunities for hiking, horseback riding, and mountain biking.
- Fallbrook Land Conservancy:
Owns and manages multiple preserves that are open to the public for recreation. Also owns and manages a historic building with meeting space and a sculpture garden available for public use.
- Fallbrook Sports Association:
Manages programs at Ingold Park via agreement with the County of San Diego.
- Fallbrook Village Association:
Owns and manages Heyneman Park, Vince Ross Square, and Railroad Heritage Park.
- Fallbrook Beautification Alliance:
Organizes military flag displays for local veterans, litter collection, graffiti abatement, and flower-pot placements along Main Avenue and mediums on Mission Avenue.
- Save our Forest:
Installation and stewardship of community trees and benches, stewardship of Pico Promenade, and an environmental education program for elementary schools.
- Fallbrook Arts Inc.:
Art in public places.

Related Development Opportunities

The County of San Diego General Plan was last updated in August 2011 and provides broad development policies and objectives for the affected territory. More specific policies and objectives for lands within the affected territory are primarily delegated to the Fallbrook Community Plan, which applies to nearly 60% of the subject lands and most of the developed areas. The Fallbrook Community Plan was last updated by the Board of Supervisors in step with the County General Plan in August 2011 with stewardship provided by a 15-member advisory body. The document is anchored by a vision statement to “perpetuate the existing rural charm and village atmosphere surrounded by semi-rural and rural lower density development, while accommodating growth” (G-LU-1.1). These policies generally contemplate semi-rural residential uses in the affected territory paired with open-space and agriculture with minimum lot sizes ranging from 0.5 to 40.0 acres. No new development or changes to existing land uses or zoning are associated with the proposed reorganization.

Commission Focus

Two central and sequential policy items underlie San Diego LAFCO’s consideration of the proposed reorganization. These policy items take the form of determinations and orient the Commission to consider the (a) timing of the jurisdictional changes and (b) whether modifications or approval terms are appropriate. The Commission must also consider other relevant statutes outside LAFCO law as further detailed.

ANALYSIS

San Diego LAFCO’s analysis of the proposed reorganization is divided into two subsections. The first subsection pertains to evaluating the central issues referenced in the preceding section relative to both statutory and local policy considerations. The second subsection considers other germane issues and highlighted by applicability under the California Environmental Quality Act (CEQA).

Central Policy Items

Item No. 1 | Reorganization Timing

The timing of the proposed reorganization before San Diego LAFCO – and specifically activating the Fallbrook PUD’s latent powers involving parks and recreation, street lighting, and roads and streets appears appropriate. This conclusion draws from the analysis of the statutory factors required for consideration of proposed activation along with locally adopted Commission policies. Most of the prescribed review factors for the proposed reorganization focus on the service and financial capacities of the *receiving* agency, Fallbrook PUD (emphasis added). A summary of key conclusions generated in the review of these factors and policies with respect to service needs, capacities, and finances follow.

- Service Needs

The affected territory includes an estimated resident population of 36,759 and represents one of the largest unincorporated communities in San Diego County. Accordingly, and in conjunction with its ongoing growth and development, increased service needs involving the subject functions have emerged within the community beyond current and/or planned resources of the current providers: County of San Diego and CSA No. 81. Additional details follows.

- The Commission has previously designated Fallbrook PUD as the appropriate and exclusive public service provider for the affected territory with respect to water and – albeit with geographic restrictions – wastewater, and recycled water. Authorizing the additional service functions requested – parks and recreation, street lighting, and roads and streets – would represent an orderly expansion of Fallbrook PUD and serves as a preferred alternative to establishing a new limited purpose special district.
- The reorganization proposal filed by Fallbrook PUD reflects a bottom-up process initiated by local non-profit organizations in soliciting the support of the District to organize and fund the requested service functions through corporate powers. This context helps to quantify the timing appropriateness by explicitly syncing the reorganization to expressed community needs.
- The County of San Diego and CSA No. 81 currently provide parks and recreation within the affected territory and divided therein between regional and local serving amenities, respectively. The proposed activation of this function by Fallbrook PUD is intended to enhance and supplement these existing amenities with a focus on organizing and funding beautification projects in consultation with local non-profit organizations. Intended examples include cultural recreation and public art and exceed the current/planned resources of the County and CSA.
- Similar to the preceding comment, the County of San Diego currently provides street lighting along with roads and streets within the affected territory. The proposed activation of these functions by Fallbrook PUD is intended to enhance and supplement these existing levels in concert with parks and recreation activities with an overall focus on beautification projects. Intended examples include greening of road medians and decorative street lighting and exceed the current/planned resources of the County.

- Service Capacities and Levels

A recent municipal service review on the Fallbrook region attests Fallbrook PUD has established sufficient capacities and related resources in providing its three active functions involving water, wastewater, and recycled water. It is reasonable to assume the associated governance and management attributes will translate for the District in assuming parks and recreation, street lighting, and roads and streets functions at their contemplated levels assuming available funding.

- **Service Funding and Costs**

Fallbrook PUD contemplates funding the proposed new service functions of parks and recreation, street lighting, and roads and streets by reallocating \$0.546 million in unrestricted secured property tax revenues. This amount is currently used to help fund the water system and roughly equivalent to \$5.00 for every active meter each month. It also represents 51% of the total unrestricted secured property tax received by Fallbrook PUD in 2020-2021.

With respect to overall fiscal standing, Fallbrook PUD experienced an overall increase of 8.1% in its audited net position over the last three audited fiscal years from \$96.07 million in 2018-2019 to \$103.8 million in 2020-2021. The unrestricted and spendable portion of Fallbrook PUD’s net position at the end of the three-year period less reportable pension and related liabilities is \$118.5 million and equals 3.4 years of actual operating expenses. Fallbrook PUD also achieved positive bottom lines each year with an overall average total margin over the last three fiscal years of 12.8%.

**CONCLUSION |
MERITS OF REORGANIZATION TIMING**

The timing of the reorganization to activate Fallbrook PUD’s latent powers to provide parks and recreation, street lighting, and roads and streets is sufficiently warranted. Justification is marked by the preceding analysis and highlighted by appropriately responding to community interests in receiving supplemental and enhanced service levels beyond the current and planned resources of the County of San Diego and/or CSA No. 81 and within the means of an existing local agency. Additional analysis supporting the conclusion is provided in Appendix A.

Item No. 2 | Modifications and Terms

No physical modifications to the submitted reorganization have been identified by San Diego LAFCO staff meriting Commission consideration at this time. This includes concluding that the authorization of the three new functions throughout the Fallbrook PUD jurisdictional boundary is appropriate and preferred to the alternative of establishing internal latent power service areas or zones. Markedly, authorizing these three new functions throughout the jurisdictional boundary readily syncs with the proposed use of secured property taxes as the dedicated funding source. Terms appear appropriate and include the following conditions.

1. Require the Fallbrook PUD to complete a reallocation of unrestricted secured property taxes that otherwise have been used as non-operating revenues to offset water costs. This reallocation would take place as part of the District’s upcoming rate setting process conducted pursuant to Proposition 218, to address the transfer of approximately \$0.546 million in funding to support the newly activated functions.²

² Fallbrook PUD anticipates completing its rate setting process by Fall 2022 and ahead of rates going into effect January 1, 2023.

2. Assign the following class designation for each new service function:
 - a) Parks and Recreation Function:
Public parks, public playgrounds, public recreation buildings, buildings to be used for public purposes (to supplement existing service powers exercised by the County of San Diego and County Service Area (CSA) No. 81 as well as volunteer activities by non-profit organizations).
 - b) Street Lighting Function:
Street lighting systems (to supplement existing service powers exercised by the County of San Diego and County Service Area (CSA) No. 81 as well as volunteer activities by non-profit organizations).
 - c) Roads and Streets Function:
Works to provide for the drainage of roads, streets, and public places, including, but not limited to, curbs, gutters, sidewalks, and pavement of streets (to supplement existing service powers exercised by the County of San Diego and County Service Area (CSA) No. 81 as well as volunteer activities by non-profit organizations).
3. All other standard terms under Government Code Section 57302.

CONCLUSION | MODIFICATIONS AND TERMS

No modifications to the proposed reorganization appear merited as detailed. Terms are appropriate and marked by requiring Fallbrook PUD proceed first with a successful reallocation of unrestricted secured property taxes as part of the District’s upcoming rate setting process conducted pursuant to Proposition 218 to recover the amount of property taxes to be reallocated from the water function to the new functions of parks and recreation, street lighting, and streets and roads.

Other Statutory Considerations

Exchange of Property Tax Revenues

California Revenue and Taxation Code Section 99(b)(6) requires the County of San Diego and subject agencies to submit an adopted resolution to LAFCO agreeing to accept the exchange of property tax revenues associated with the proposed reorganization. The associated statutes also empower the County of San Diego to make all related property tax exchange determinations on behalf of special districts without consultation unless the affected agencies request otherwise. Staff has confirmed the County has adopted a master enterprise district resolution applicable for the proposed latent powers activation. The County’s

adopted master property tax exchange resolution specifies no transfer of property taxes would occur following the proposed reorganization within Fallbrook PUD.

Environmental Review

The Fallbrook PUD serves as lead agency under CEQA for considering the physical effects of the reorganization in conjunction with initiating the proposal with San Diego LAFCO to activate their parks and recreation, street lighting, and roads and streets functions. Fallbrook PUD’s resolution of application includes findings that – and among others – determines the reorganization is a project under CEQA but exempt from additional review under State Guidelines Section 15320. LAFCO staff independently concurs this finding is appropriate given the reorganization serves to complement and enhance – and not replace – existing service functions already provided in the affected territory.

Protest Proceedings

An approval of the reorganization by San Diego LAFCO would require protest proceedings under Government Code Section 57000. As allowed under State law and further contemplated under local policy, the Executive Officer would be delegated the responsibility to administer the protest proceedings and hold a noticed hearing to accept written objections filed by registered voters and/or landowners within the affected territory – i.e., the Fallbrook PUD jurisdictional boundary. The following thresholds would apply in valuing protests and determining next steps:

- Should less than 25% of (a) registered voters and/or (b) landowners holding less than 25% of the assessed value of land within the affected territory file written protests the reorganization will be ordered without an election.
- Should 25% to 50% of (a) registered voters and/or (b) landowners holding 25% to 50% of the assessed value of land within the affected territory file written protests the reorganization will be ordered subject to an election at a future date.
- Should more than 50% of (a) registered voters and/or (b) landowners holding 50% or more of the assessed value of land within the affected territory file written protests the reorganization will be terminated.

Should the Commission proceed with an approval on April 4th, staff has tentatively scheduled a protest hearing for the reorganization at 10:00 am on Tuesday, May 31, 2022 in the Fallbrook PUD administrative office at 990 E Mission Road in Fallbrook. Notice for the protest hearing would be provided to landowners and registered voters no less than 21-days in advance. Further – and importantly should this apply – all protest forms received by LAFCO would need to be signed on or after the date the protest hearing is noticed; signatures dated ahead of the noticing of the protest hearing are invalid under State law.

RECOMMENDATION

Staff recommends approval of the reorganization proposal without modifications and with terms as specified. This recommendation is consistent with the action outlined as Alternative One in the proceeding section.

ALTERNATIVES FOR ACTION

The following alternative actions are available to San Diego LAFCO and can be accomplished with a single motion:

Alternative One (recommended):

Adopt the attached draft resolution conditionally approving the reorganization proposal as submitted with terms. This includes making the associated Class 20 exemption finding under CEQA and delegating protest hearing procedures to the Executive Officer.

Alternative Two:

Continue consideration with or without closing the hearing to a future meeting and provide direction to staff concerning additional information, as needed.

Alternative Three:

Disapprove the reorganization proposal with direction to staff to return at the next regular meeting with a conforming resolution for adoption.

PROCEDURES FOR CONSIDERATION

This item has been placed on San Diego LAFCO's agenda for action as part of a noticed public hearing. The following procedures are suggested.

1. Commissioner disclosures, if any.
2. Receive verbal presentation from staff unless waived.
3. Open the public hearing and invite testimony beginning with the applicant(s).
4. Discuss item and consider the staff recommendation.

On behalf of the Executive Officer,



Priscilla Allen
Analyst I

Appendices:

- A) Analysis of Proposal Review Factors

Attachments:

- 1) Vicinity Maps of the Affected Territory
- 2) Draft Resolution of Approval
- 3) Application Materials

APPENDIX A

PROPOSAL REVIEW FACTORS Government Code Section 56668

- a) **Population and population density; land area and land use; per capita assessed valuation; topography, natural boundaries, and drainage basins; proximity to other populated areas; the likelihood of significant growth in the area, and in adjacent areas, during the next 10 years.**

The affected territory as submitted is approximately 28,160 unincorporated acres and located in northcentral San Diego County, north of the City of Oceanside, east of Camp Pendleton, south of the Riverside County, and west of the I-15. Elevation ranges between 600 and 700 feet above sea-level. The majority of the estimated 36,759 residents in the affected territory lie within the unincorporated community of Fallbrook with the bulk of the remainder in the unincorporated community of De Luz Heights. The County’s Zoning Ordinance predominately assigns the affected territory as Semi-Rural or Rural Residential with minimum lot sizes ranging from one dwelling unit per acre to one dwelling per 40 acres. Existing County land use policies contemplate moderate new growth within or adjacent to the affected territory within the next 10 years. Total assessed land value within the affected territory is \$4.078 billion as of March 2022 (excludes improvements).

- b) **The need for municipal services; the present cost and adequacy of municipal services and controls in the area; probable future needs for those services and controls; probable effect of the proposed incorporation, formation, annexation, or exclusion and of alternative courses of action on the cost and adequacy of services and controls in the area and adjacent areas.**

The proposed reorganization would authorize Fallbrook PUD to provide three new service functions consistent with its principal act: parks and recreation; street lighting; and roads and streets. The following comments apply to assessing the need, cost, and adequacy of these service functions within the affected territory.

- The reorganization proposal reflects a bottom-up process initiated by local non-profit organizations in soliciting the support of Fallbrook PUD to proceed within a proposal to organize and fund the requested service functions. This context helps to quantify the timing appropriateness by explicitly syncing the reorganization to expressed community needs and would be further validated through protest proceedings.
- The County of San Diego and CSA No. 81 currently provide parks and recreation within the affected territory and divided therein between regional and local serving amenities, respectively. The proposed activation of this function by Fallbrook PUD is intended to enhance these existing amenities with a focus on organizing and funding beautification projects with most – but not all – directed towards the Village area.

- The County of San Diego currently provides street lighting as well as roads and streets within the affected territory. The proposed activation of these functions by Fallbrook PUD is intended to enhance these existing levels in concert with parks and recreation activities with an overall focus on beautification projects.
- Fallbrook PUD estimates the annual expense in funding the three new service functions is \$0.546 million and will be drawn from unrestricted secured property taxes. These funds are currently allocated to the water system and its reallocation would represent an approximate \$5.00 impact per active meter. A related term is recommended for Fallbrook PUD to raise water rates to recover this amount.

A detailed review of Fallbrook PUD’s existing active functions – water, wastewater, and recycled water – was recently prepared by LAFCO as part of a regional municipal service review (March 2022) and incorporated by reference.

c) The effect of the proposed action and of alternative actions, on adjacent areas, on mutual social and economic interests, and on local governmental structure.

Approving the reorganization proposal and expansion of Fallbrook PUD’s authorized service functions involving parks and recreation, street lighting, and roads and streets would strengthen economic and social interests between the District and the affected territory. These ties exist via the current inclusion of the affected territory within the Fallbrook PUD jurisdictional boundary and access therein to its water function without geographic restrictions as well as wastewater and recycled water functions with geographic restrictions. Approval would further consolidate Fallbrook PUD’s role in supporting the affected territory’s current and planned uses relative to community needs and interests.

d) The conformity of the proposal and its anticipated effects with both the adopted commission policies on providing planned, orderly, efficient patterns of urban development, and the policies/priorities set forth in G.C. Section 56377.

Approval would be consistent with the Commission’s adopted policies to sync urban type uses with urban type services – including elevated parks and recreation, street lighting, and road and streets functions. Additionally, the proposal would not directly induce or otherwise facilitate the loss of open-space lands given its supplemental nature, and as such does not conflict with the provisions of Government Code Section 56377.

e) The effect of the proposal on maintaining the physical and economic integrity of agricultural lands, as defined by G.C. Section 56016.

Portions of the affected territory qualify as agricultural land under LAFCO law. The reorganization proposal, nonetheless, is specific to the latent powers activation and would not adversely affect the physical or economic well-being of the agricultural lands.

f) The definiteness and certainty of the boundaries of the territory, the nonconformance of proposed boundaries with lines of assessment, the creation of islands or corridors of unincorporated territory, and other similar matters.

The affected territory as proposed comprises the existing Fallbrook PUD jurisdictional boundary already on file with LAFCO. Approval of the reorganization and authorization of new service functions involving parks and recreation, street lighting, and roads and streets would not create any new service islands or corridors of unincorporated territory.

g) A regional transportation plan adopted pursuant to Section 65080.

A notice of the proposed reorganization was provided to the San Diego Association of Governments or SANDAG but did not generate any comments, and as such no conflicts have been identified with respect to its regional transportation plan, San Diego Forward.

h) Consistency with the city or county general and specific plans.

The affected territory is entirely unincorporated and subject to the land use policies of the County of San Diego. The County’s implementing land use policy document for most of the affected territory is the Fallbrook Community Plan. This latter document prescribes a minimum lot size range for the majority of the affected between 1 and 40 acres.

i) The sphere of influence of any local agency affected by the proposal.

The affected territory lies entirely within the sphere of influence for Fallbrook PUD. All of the affected territory also lies within the sphere of influence for CSA No. 81.

j) The comments of any affected local agency or other public agency.

Staff provided notice of the reorganization proposal to all subject and affected agencies as required under LAFCO law. No written comments were received ahead of preparing this agenda report for distribution on March 25, 2022.

k) The ability of the newly formed or receiving entity to provide the services which are the subject of the application to the area, including the sufficiency of revenues for those services following the proposed boundary change.

Fallbrook PUD commits to funding the proposed new service functions of parks and recreation, street lighting, and roads and streets by reallocating close to 50% of the total unrestricted secured property taxes collected by the District and presently used as non-operating revenue for water service. This planned reallocation provides \$0.546 million and purposefully tied to equaling \$5.00 per water meter each month. Accordingly, staff recommends terming approval to require the Fallbrook PUD to complete reallocation of

unrestricted secured property taxes as part of the District's upcoming rate setting process conducted pursuant to Proposition 218 to account for the loss and reallocation of unrestricted secured property taxes to support the new functions of parks and recreation, street lighting, and streets and roads.

l) Timely availability of adequate water supplies for projected needs as specified in G.C. Section 65352.5.

Not applicable.

m) The extent to which the proposal will affect a city or cities and the county in achieving their respective fair shares of the regional housing needs as determined by the appropriate council of governments.

Not applicable.

n) Any information or comments from the landowner or owners, voters, or residents of the affected territory.

None.

o) Any information relating to existing land use designations.

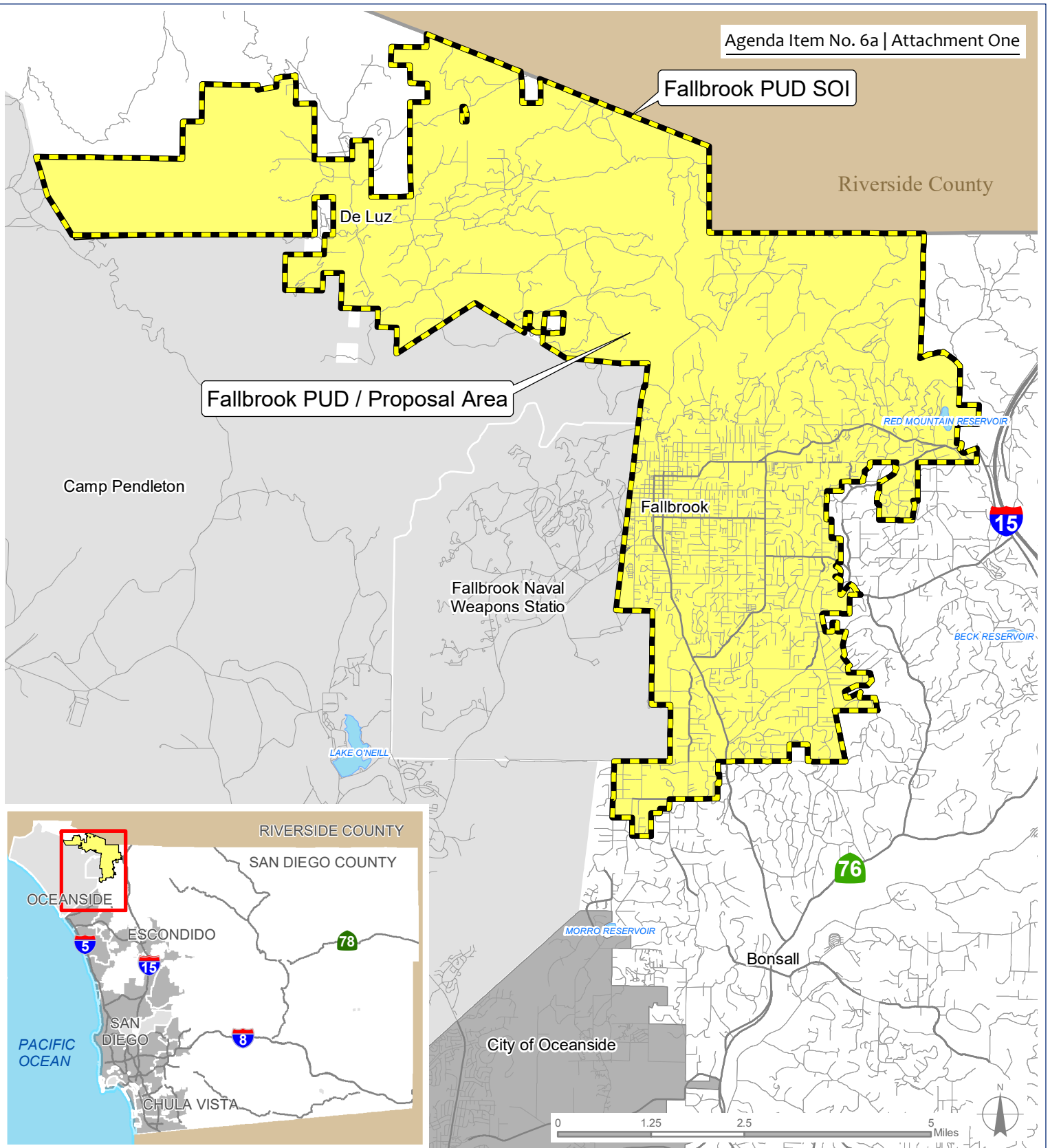
Please see above analysis for (h).

p) The extent to which the proposal will promote environmental justice.

As used in this review factor, "environmental justice" means the fair treatment of people of all races, cultures, and incomes with respect to the location of public facilities and the provision of public services. The proposed latent powers activation does not include locating new public facilities and therefore approval is not anticipated to directly influence the promotion of environmental justice within the affected territory.

q) Information contained in a local hazard mitigation plan, information contained in a safety element of a general plan, and any maps that identify land as a very high fire hazard zone or maps that identify land determined to be in a state responsibility area, if it is determined that such information is relevant to the affected territory.

The County of San Diego General Plan contains a hazard mitigation plan for potential fire, flooding, and earthquakes. The affected territory lies within "moderate risk" fire and earthquake hazard zones.



LP(a)19-27

PROPOSED "FALLBROOK PUD LATENT POWERS ACTIVATION - PARK AND RECREATION ET AL." | ACTIVATION OF THE FALLBROOK PUD'S LATENT POWERS FOR PARK AND RECREATION; ROADS, STREETS, AND HIGHWAYS; AND STREET LIGHTING FUNCTIONS

- Fallbrook PUD / Proposal Area
 - Fallbrook PUD SOI
- SOI = Sphere of Influence



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RESOLUTION NO. _____

SAN DIEGO COUNTY LOCAL AGENCY FORMATION COMMISSION

**MAKING DETERMINATIONS AND APPROVING A REORGANIZATION SUBJECT TO
CONDUCTING AUTHORITY PROCEEDINGS**

**“FALLBROOK PUBLIC UTILITY DISTRICT LATENT POWERS ACTIVATION: PARKS ET AL.”
Parks and Recreation, Street Lighting, and Roads & Streets Service Functions
LAFCO File No. LP19-27**

WHEREAS, on November 26, 2019, the Fallbrook Public Utility District (PUD) filed a resolution of application to initiate proceedings and an application with the San Diego County Local Agency Formation Commission, hereinafter referred to as “Commission,” pursuant to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000; and

WHEREAS, the application seeks approval of a reorganization for Fallbrook PUD to activate latent powers consistent with its principal act – Public Utility District Act – involving parks and recreation, street lighting, and roads and streets and for the collective purpose of organizing and funding related beautification projects; and

WHEREAS, County of San Diego and County Service Area (CSA) No. 81 currently provide the referenced functions – parks and recreation, street lighting, and roads and streets – within the affected territory and the application seeks approval to provide services to supplement and enhance these existing services; and

WHEREAS, the affected territory as proposed includes the entire jurisdictional boundary of the Fallbrook PUD and includes approximately 28,200 unincorporated acres; and

WHEREAS, and with confirmation provided by the County of San Diego in its responsibilities under Revenue and Taxation Code Section 99(d), an applicable master property tax transfer agreement applies to the reorganization dated September 16, 2009 and specifies a “no-exchange” applies; and

WHEREAS, the Commission’s Executive Officer has reviewed the proposed reorganization and prepared a report with recommendations; and

WHEREAS, the Executive Officer’s report and recommendations on the proposal have been presented to the Commission in the manner provided by law; and

WHEREAS, the Commission heard and fully considered all the evidence presented at a noticed public hearing on the proposal on April 4, 2022; and

WHEREAS, the Commission considered all the factors required by law under Government Code Sections 56668 and 56824.14 as well as adopted local policies and procedures.

NOW, THEREFORE, THE COMMISSION DOES HEREBY RESOLVE, DETERMINE, AND ORDER
as follows:

1. The public meeting was held on the date set therefore, and due notice of said meeting and associated hearing was given in the manner required by law.
2. At the public meeting, the Commission considered the Executive Officer's report on the proposed reorganization.
3. The Commission serves as a responsible agency under the California Environmental Quality Act (CEQA) for assessing potential impacts of the proposal. The Commission independently concurs with Fallbrook PUD's finding as the lead agency that the proposal qualifies as a project under CEQA but exempt from additional review under State CEQA Guidelines Section 15320. This exemption appropriately applies given the reorganization serves to complement and enhance – and not replace – existing service functions already provided in the affected territory by the County of San Diego and/or County Service Area (CSA) No. 81.
4. The Commission APPROVES the reorganization proposal without discretionary modifications as described below and subject to conditions as provided. Approval involves all of the following, each limited to supplementing and enhancing existing service powers exercised by the County of San Diego and County Service Area No. 81:
 - a) Fallbrook PUD is authorized to provide parks and recreation as a service function throughout its existing jurisdictional boundary as shown in Exhibit A and subject to the following classifications.
 - Public parks, public playgrounds, public recreation buildings, and buildings to be used for public purposes
 - b) Fallbrook PUD is authorized to provide street lighting as a service function throughout its existing jurisdictional boundary as shown in Exhibit A and subject to the following classifications.
 - Street lighting systems
 - c) Fallbrook PUD is authorized to provide roads and streets as a service function throughout its existing jurisdictional boundary as shown in Exhibit A and subject to the following classifications.
 - Works to provide for drainage of roads, streets and public places, including, but not limited to, curbs, gutters, sidewalks, and pavement of streets

5. County of San Diego and CSA No. 81 remain the principal public agencies responsible for parks and recreation service functions in the affected territory, and County of San Diego remains the principal public agency for street lighting and roads and streets functions in the affected territory.
6. The Commission CONDITIONS the preceding approvals on the following terms being satisfied by April 4, 2023 unless an extension is requested in writing and approved by the Executive Officer:
 - a) Completion of the 30-day reconsideration period provided under Government Code Section 56895.
 - b) Pursuant to Government Code Section 58624.14, subd. (a)(1) and to ensure the necessary funds to support the proposed services, Fallbrook PUC shall complete a new rate setting process to lower the level of unrestricted secured property taxes currently allocated to offset water rate costs;
 - c) Submittal to the Commission of final map and geographic description of the affected territory as approved by the Commission conforming to the requirements of the State Board of Equalization – Tax Services Division.
 - d) Submittal to the Commission of the following payments:
 - A check made payable to LAFCO in the amount of \$50.00 for the County of San Diego-Clerk Recorder to reimburse for filing a CEQA Notice of Exemptions consistent with the findings in the resolution.
 - A check made payable to the State Board of Equalization for processing fees in the amount of \$2,000.00.
 - A check made payable to LAFCO in the amount of \$669.00 to reimburse the public hearing notice published in the San Diego Union Tribune.
7. The Commission assigns the proposal the following short-term designation:

“Fallbrook PUD Latent Powers Activation”
8. The affected territory as designated by the Commission is inhabited as defined in Government Code Section 56046.
9. The Fallbrook PUD is a registered-voter district.
10. The Fallbrook PUD utilizes the County of San Diego assessment roll.
11. The affected territory will be liable for any existing bonds, contracts, and/or obligations of the Fallbrook PUD as provided under Government Section 57328.

12. The Commission authorizes the Executive Officer to conduct the protest proceedings as required under Government Code sections 57000, et seq.
13. The effective date of the approval shall be the date of recordation but not before the completion of a 30-day reconsideration period and the protest proceedings, and only after all terms have been completed as attested by the Executive Officer.
14. As allowed under Government Code Section 56107, the Commission authorizes the Executive Officer to make non-substantive corrections to this resolution to address any technical defects, errors, irregularities, or omissions.
15. The Executive Officer is hereby authorized and directed to mail copies of this resolution as provided in Sections 56880-56882 of the Government Code.
16. After Fallbrook PUD implements the revised rates according to the terms set forth in Condition 6(b) above, the Executive Officer is further authorized and directed to prepare, execute, and record a Certificate of Completion, make the required filings with the County Assessor, County Auditor, and the State Board of Equalization as required by Section 57200, et seq., of the Government Code.

**

PASSED AND ADOPTED by the Commission on April 4, 2022 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

**

Attest:

Keene Simonds
Executive Officer

EXHIBIT A
MAP OF THE AFFECTED TERRITORY

-Placeholder-

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RESOLUTION NO. 4983

A RESOLUTION OF APPLICATION BY THE FALLBROOK PUBLIC UTILITY DISTRICT REQUESTING THE SAN DIEGO LOCAL AGENCY FORMATION COMMISSION APPROVE ACTIVATION OF THE POWER TO EXERCISE PARKS AND RECREATION, STREET LIGHTING, AND ROADS AND STREETS FUNCTIONS WITHIN ITS BOUNDARIES AS MORE PARTICULARLY DESCRIBED HEREIN AND FINDING THAT THE ACTION IS NOT A "PROJECT" UNDER CEQA OR IS, ALTERNATIVELY, EXEMPT FROM CEQA

WHEREAS, the Fallbrook Public Utility District ("FPUD") is a Public Utility District organized under the Public Utility District Act, (Public Utility Code § 15500 et seq.), authorized to provide water, wastewater, and reclaimed water services, within all or part of its boundaries; and

WHEREAS, the Board of Directors of FPUD desires to initiate proceedings pursuant to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, Division 3, commencing with Section 56000 of the California Government Code for the activation of the power to exercise parks and recreation, street lighting, and roads and streets functions within its boundaries as more particularly described herein; and

WHEREAS, the Board of Directors of FPUD specifically requests that the San Diego Local Agency Formation Commission (LAFCO) approve activation of the District's power to exercise parks and recreation, street lighting, and roads and streets functions within its boundaries, specifically with regard to the services set forth in Public Utilities Code section 16463, as follows: public parks, public playgrounds, public recreation buildings, buildings used for a public purpose, street lighting systems and works to provide for the drainage of roads, streets, and public places, including but not limited to, curbs, gutters, sidewalks, and pavement of streets ("Public Park and Recreation Facilities/ Street Lighting and Road Improvements Powers" or "Activated Powers"); and

WHEREAS, the reason for the proposed activation of powers is to permit FPUD to exercise the Activated Powers in a manner that supplements and not replaces services provided by the County within the area; and

WHEREAS, FPUD proposes to exercise and fund the Activated Powers as more particularly described in the draft Plan for Services attached hereto as Exhibit "A," and by this reference incorporated herein; and

WHEREAS, a map of the external boundary of FPUD is attached hereto as Exhibit "B," and by this reference incorporated herein; and

WHEREAS, this proposal is consistent with the sphere of influence of the FPUD;
and

WHEREAS, the approval of the power to exercise the Activated Powers is not a project within the meaning of CEQA because it does not have the potential to result in a direct physical change in the environment or a reasonably foreseeable indirect physical change to the environment. (Pub. Res. Code § 21065; CEQA Guidelines § 15378(a). The activation of powers itself will not change any existing land use or result in construction of new parks or buildings. Rather, the activation will involve re-allocation of FPUD's existing property tax revenue to support and enhance existing parks and recreation services, street lighting services, and street and road drainage services that are currently provided by other entities. Further, the activation of powers does not authorize any construction or development of land. If a construction or development project is proposed in the future, the proposed construction or development would be subject to environmental review as appropriate at that time; and

WHEREAS, even if the approval of the power to exercise the Activated Powers is considered a "project" within CEQA's meaning, it is exempt under the Class 1 exemption for existing facilities (CEQA Guidelines § 15301) as the activation would provide a stable source of funding for maintenance and/or minor alterations of existing parks, playgrounds, recreation or other public buildings, street lighting, curbs, gutters, sidewalk and street pavement. The maintenance and/or minor alterations will not expand, or will result in only negligible expansion of, the existing use of the parks, playgrounds, recreation or other public buildings, street lighting, curbs, gutters, sidewalk and street pavement. There is no evidence that the activation involves any unusual circumstances that might cause a significant effect on the environment. (CEQA Guidelines § 15300.2(c).); and

WHEREAS, even if the approval of the power to exercise the Activated Powers is considered a "project" within CEQA's meaning, it is exempt under the Class 20 exemption for changes in the organization of local agencies. (CEQA Guidelines § 15320.) Under section 15320, changes in the organization of a local governmental agency are exempt if the changes do not modify the geographical area in which previously existing powers are exercised. This exemption applies because activation of latent powers is a "change of organization" under the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, and because the activation does not change the District's geographical area or the geographical area within which the District exercises its powers. This exemption also applies because the County of San Diego already exercises these powers within the District's boundaries and as such, there is no

expansion of powers. Finally, the exemption applies because the proposed activation simply seeks authorization from LAFCO to activate powers that the District already possesses under the Public Utility District Act. There is no evidence that the activation involves any unusual circumstances that might cause a significant effect on the environment. (CEQA Guidelines § 15300.2(c).); and

WHEREAS, even if the approval of the power to exercise the Activated Powers is considered a “project,” it is also exempt under the “common sense” exemption because it can be seen with certainty that there is no possibility that activation may have a significant effect on the environment. (CEQA Guidelines § 15061(b)(3).) The activation will leverage existing administrative and procurement resources to help better execute projects to support community facilities and public projects within the scope of the activated powers. There is no possibility that activation—which will simply support and enhance existing services—could have a significant impact on the environment. Further, the activation of powers itself does not authorize any construction or development of land. If a construction or development project is proposed in the future, the construction or development would be subject to environmental review as appropriate at that time. Because the site and project-specific details of any potential future construction or development project are unknown at this time, impacts of such potential future development are speculative; and

WHEREAS, the Board of Directors has considered all written and/or oral comments or testimony made by any affected local agency, affected county or any interested person submitted prior to or at the public hearing scheduled and held on November 8, 2019, the notice for which was published pursuant to Government Code sections 56153 and 56154.

NOW, THEREFORE, BE IT RESOLVED THAT the Board of Directors of the Fallbrook Public Utility District as follows:

1. **Recitals.** The forgoing recitals are true and correct and are incorporated herein and are made an operative part of this Resolution of Application.
2. **Public Hearing.** As the decision-making body for the Fallbrook Public Utility District, the Board of Directors has considered all written and/or oral comments or testimony made by any affected local agency, affected county, or any interested person submitted prior to or at the public hearing scheduled and held on November 8, 2019 on the Resolution of Application. Notice of the public hearing was published pursuant to the requirements of Government Code sections 56153 and 56154 as required by Government Code section 56824.14.
3. **CEQA Compliance.** For all the reasons set forth in the above Recitals, and based upon all of the substantial evidence in the record as a whole, the Board of

Directors of the Fallbrook Public Utility District finds that the approval of the power to exercise the Activated Powers: (1) is not a "project" subject to environmental review under CEQA pursuant to Public Resources Code § 21065 and State CEQA Guidelines § 15378 (a); (2) alternatively, is exempt from CEQA under the Class 1 exemption for existing facilities (CEQA Guidelines § 15301); (3) alternatively, is exempt from CEQA under the Class 20 exemption as a "change in organization" (State CEQA Guidelines § 15320); (4) alternatively, is exempt from CEQA under the "common sense" exemption because it can be seen with certainty that there is no possibility that activation may have a significant effect on the environment. (CEQA Guidelines § 15061(b)(3).); and 5) none of the exceptions to the application of these exemption exist under State CEQA Guidelines § 15300.2.

- a. The Board of Directors hereby directs that all documents and other materials constituting the record of proceedings related to this Resolution of Application for approval of the power to exercise the Activated Powers, be maintained by the General Manager of the Fallbrook Public Utility District, or his designee, on file at the Fallbrook Public Utility District 990 East Mission Road, Fallbrook, CA 92028.
 - b. The Board of Directors directs Staff to file a Notice of Exemption with the County Clerk for the County of San Diego.
4. **Adoption.** This Resolution of Application is hereby adopted and approved by the Board of Directors of the Fallbrook Public Utility District and San Diego LAFCO is hereby requested to initiate proceedings as authorized and in the manner provided by the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 for the activation of the FPUD's power to exercise parks and recreation, street lighting, and roads and streets functions within its boundaries, specifically with regard to the Activated Powers described herein.
5. **Plan for Services.** The Board of Directors directs staff to finalize the draft Plan for Services attached hereto as Exhibit "A."
6. **Submission of Resolution of Application and other Application Materials.** The Board of Directors further authorizes and directs the Fallbrook General Manager to file a certified copy of this Resolution of Application together with the required LAFCO application, finalized Plan for Services, FPUD map and other documents with the Executive Officer of the San Diego Local Agency Formation Commission.

7. **Effective Date.** This Resolution shall take effect immediately upon adoption by the Board of Directors of the Fallbrook Public Utility District.

PASSED AND ADOPTED by the Board of Directors of the Fallbrook Public Utility District at a special meeting of the Board held on the 8th day of November, 2019, by the following vote:

AYES: Directors Baxter, DeMeo, McDougal, and Wolk
NOES: None
ABSTAIN: None
ABSENT: Director Endter



President, Board of Directors

ATTEST:



Secretary Board of Directors

Fallbrook Public Utility District
Plan for Providing
Activated Powers Services
Prepared by FPUD Staff
July 29, 2019

Background of District

History

Fallbrook is an unincorporated community in San Diego County. The first permanent recorded settlement in Fallbrook was in 1869, in the east area of the District, which later became Live Oak County Park. While agriculture has always played a major role in the community, the first plantings were olives and citrus. These crops were replaced in the 1920's by avocados and it wasn't long before Fallbrook became generally recognized as the "Avocado Capital of the World."

Fallbrook Public Utility District (District) was formed on June 5, 1922 to serve water from local area wells along the San Luis Rey River. Soon after it was established, the District began to grow. Annexations into the District have expanded the service area from 500 acres to 28,000 acres (44 square miles). To meet the growing demand for water, additional ground water supplies were developed along both the San Luis Rey and Santa Margarita rivers.

The District became a member of the San Diego County Water Authority (SDCWA) at SDCWA's formation on June 9, 1944, and thus was eligible to receive a portion of Colorado River water that would be diverted by the Metropolitan Water District of Southern California (MWD). When Colorado River water became available in 1948, consumption within the District gradually increased to approximately 10,000 acre-feet per year by 1959. Then in 1978, MWD augmented its supply system with water from the California State Water Project and began delivering water from both systems to San Diego County. Today, the SDCWA provides virtually all of the District's potable water through direct connections to MWD pipelines in Southwest Riverside County.

Governance and Organizational Structure

The District's Board is made up of five community members who serve overlapping four-year terms. In March 2016, the Board unanimously approved a resolution to change the method of electing board members to "election by district" and approved a map identifying five territorial units within the District. Each director, therefore, is elected by the registered voters of the sub-district in which he or she resides within the District's service area. To run for office, a candidate must live in the area he or she is running to represent, must be at least eighteen years of age, a citizen of the State of California, and a registered voter in the County of San Diego. Prior to 2016, directors would win a seat on the board by being the top vote-getters, regardless of where they lived within the District.

Current Board of Directors:

District #1 – Dave Baxter

District #2 - Ken Endter

District #3 - Jennifer DeMeo, Vice-President

District #4 - Don McDougal, President

District #5 - Charley Wolk

Service Area and Local Economy

San Diego County is the second-most populous county in the state and the fifth-most populous in the United States. The District is located in the north-east region of the county and is rural in character. The District is bordered to the west by the Naval Weapons Station and U.S. Marine Corps Base Camp Pendleton, making the District's service area a bedroom community for Camp Pendleton's active military and civilian-service workers. The service area's 2017 population is estimated to be 34,330 with 11,418 households. Fallbrook's population has remained relatively unchanged over the past several years.

The median household income in Fallbrook was \$60,510, which is less than the state median of \$67,739 and slightly higher than the national average of \$59,039. San Diego County's unemployment rate is 3.7%, which is lower than the State's 4.3%.

The San Diego Association of Governments (SANDAG) projects that the County's population will approach 4.4 million residents in 2050, up from 3.3 million in 2016. The District's 2050 housing density is expected to increase slightly as housing demands increase. Employment is also expected to slightly increase by 2050.

Enumeration and Description of the Services to be Provided

The District seeks approval to exercise parks and recreation, street lighting, and roads and streets functions within its boundaries, specifically with regard to the services set forth in Public Utilities Code section 16463, as follows: public parks, public playgrounds, public recreation buildings, buildings used for a public purpose, street lighting systems and works to provide for the drainage of roads, streets, and public places, including but not limited to, curbs, gutters, sidewalks, and pavement of streets ("Public Park and Recreation Facilities/ Street Lighting and Road Improvements Powers" or "Activated Powers") within the boundaries of the district. This request is based on a request from local non-profit groups that are currently providing these services. The intent is, that if approved by LAFCO, the District would exercise its Activated Powers as a supplement to and not replacement to services provided by the County within the area.

The existing service providers for many of the parks and recreation services are through non-profit entities, such as the Fallbrook Village Association, Save our Forest, Fallbrook Beautification Alliance, Live Oak Park Coalition, The Fallbrook Trails Council and the Fallbrook Land Conservancy. These funds would help support and enhance these efforts. County Service Area (CSA) 81 also provides park and recreation services to County owned facilities within the proposed area. If approved the District would be authorized to provide additional Public Park and Recreation Facilities/ Street Lighting and Road Improvements in addition to what is currently provided through CSA 81.

A summary of potential projects, identified by the community groups, is summarized below:

Installation and maintenance of trees, planters, lighting and benches in public spaces. Improvements to preserves, pocket parks, and community areas. Creation and/or expansion of parks and preserves, including but not limited to: The Railroad Heritage Park, a skate park, and an agriculture park. Ongoing maintenance for the abovementioned parks and preserves, as well as other projects identified by the community.

Level and range of services to be provided

The total amount of support provided by the District for additional Activated Powers services will be based on the available funding and a priority list of projects identified. The priority list of projects will be developed by a volunteer committee appointed by the District Governing Board. The Activated Powers volunteer committee will recommend a list of projects and anticipated costs to the District Board for approval. A summary of the proposed organization of the oversight committee and a draft of potential policy and procedures to be adopted by the FPUD Board for this oversight committee are included in Exhibit A.

The types of projects and services to be provided are summarized above.

An indication of when services can feasible be extended

Since this request does not require any reorganization or additional staffing it is anticipated the services can be initiated with 3-4 months after LAFCO approves the Activated Powers. From a financial accounting and budget control perspective, it is preferred to initiate services at the start of the Fiscal Year (July 1), so that the new additional Activated Powers fund can be initiated as part of the District budget adoption process.

Required Improvements or Upgrades of Facilities

It is not anticipated that the District will require additional property or facilities to exercise the Activated Powers.

Total Estimated cost to provide services

The initial allocation of funds is based on a proposed reallocation of existing property tax revenues from the water enterprise, of an amount equivalent to \$5 per meter per month for a total of \$546,420 (approximately 60% of the District-Wide Property Tax Revenues). The District will only provide funding and services for additional Activated Powers services within the allocated funding amount. If funding is fully allocated, no additional projects related to the Activated Powers will be undertaken until further revenue is collected. If the amount allocated is not spent in a given fiscal year, it will remain in the Activated Powers enterprise fund for subsequent use.

Existing Service Providers

Governmental

County of San Diego: The County currently provides park and recreation services in the district 44 square mile service area. It also collects additional funds through CSA 81 to provide services at county owned facilities. The county owned facilities in the service area include:

- Santa Margarita Preserve: 221 acres
- Fallbrook Community Center: Playfields and meeting areas
- Don Dussault County Park: 0.75 acre playground

- Clemmens Lane Park: Playfields and picnic area

Wildlands Conservancy: Owns and manages the 1380 acre Santa Margarita River Preserve that provides recreation opportunities for hiking, horseback riding and mountain biking.

Fallbrook Land Conservancy: Owns and manages multiple preserves in the District service area that are open to the public for recreation. Owns and manages a historic building, meeting space & sculpture garden available for public use.

Fallbrook Sports Association: Manages sports programs at Ingold Sports Park on County airport property through an agreement with the County.

Fallbrook Village Association: Owns and manages Jackie Heyneman Park, Vince Ross square and the Railroad Heritage Park.

Fallbrook Beautification Alliance: Keep Fallbrook litter free program, Graffiti abatement, Flower pots on Main Ave., Mission Medians and shared responsibility for Welcome Home Military Flag

Save our Forest: Installation and stewardship of community trees and benches, stewardship of Pico Promenade, environmental education program for elementary schools in the District service area, and shared responsibility for Welcome Home Military Flag.

Fallbrook Art Association: Art in Public Places

Latent Powers Proposal

The request will include the activation of the additional Public Park and Recreation Facilities/ Street Lighting and Road Improvements functions specifically with regard to the services set forth in Public Utilities Code Section 16463, as follows: public parks, public playgrounds, public recreation buildings, buildings used for a public purpose, street lighting systems and works to provide for the drainage of roads, streets, and public places, including but not limited to, curbs, gutters, sidewalks, and pavement of streets . There is no requested change to any other existing service being provided by the District.

Plan for Financing the establishment of a new of different service function

The proposed Activated Powers related to the Parks and Recreation function would largely be provided through existing nonprofit entities providing public parks and recreation services (public parks, public playgrounds, public recreation buildings, buildings used for a public purpose, The District currently projects to collect a total of \$1,918,296 of property tax revenue, some of which (a projected \$912,422) comes from property tax on parcels in the entire District ("District-Wide Property Tax Revenues"), The District currently allocates the District-Wide Property Tax Revenues to the water enterprise as described in more detail below. The District also collects additional property tax for parcels within the sewer service area, which is collected from properties within only a portion of the District boundary (Improvement District "S"). To support the Activated Powers, the District proposes to allocate 60% of the projected District-Wide Property Tax Revenues (a projected \$546,420) to fund a new Activated Powers enterprise fund. As stated above, the District currently allocates the District-Wide Property Tax Revenues to the District's water enterprise—using the funds to pay a portion of the District cash funded

(PAYGO) water capital improvement program which funds water infrastructure replacement and rehabilitation. The PAYGO CIP program is budgeted to be between \$3 - \$5 million per year. The reallocation of the District-Wide Property Tax Revenues would require the District to charge additional fees to maintain the currently targeted fund balances for its water enterprise and offset the loss in PAYGO CIP revenues. Any additional fees charged by the District will need to be part of a separate rate setting process that must comply with Proposition 218 requirements.

Alternatives for establishing new or different functions or classes of services.

The coalition of community groups involved in this effort evaluated a number of alternatives before requesting that the District submit a request for expansion of services:

1. Establishment of a landscape and lighting District under the County: This alternative was explored in detail with the county, but it was determined by the coalition of groups that a preference for local control of the funds was preferred. The county had also initially indicated a need for a substantial overhead cost to establish the new funding mechanism, which would reduce the amount of funds available to invest back in the community.
2. Establishment of a new parcel tax. Due to the time and expense to establish a new parcel tax, the coalition identified the utilization of existing property tax revenue as a preferred alternative.

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