



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

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AGENDA REPORT
 Business | Action

June 2, 2025

TO: Commissioners

FROM: Keene Simonds, Executive Officer
 Meghan Traynor, Analyst I

**SUBJECT: Fee Waiver Request and Related Actions |
 “Proposed Pauma Valley Community Services District Island Annexation”**

SUMMARY

The San Diego County Local Agency Formation Commission (LAFCO) will consider a request from the Pauma Valley Community Services District (CSD) to waive all fees associated with its anticipated application to annex nine unincorporated parcels, collectively totaling approximately 19 acres. The subject parcels are fully enclosed within Pauma Valley CSD’s boundary and adopted sphere of influence. Pauma Valley CSD provides two primary municipal service functions – wastewater and security – and asserts these parcels currently receive such services despite being located outside the District’s formal boundary. The estimated value of the requested fee waiver is \$6,405 based on the assumption the annexation would proceed without requiring a protest proceeding and qualifies as categorically exempt under the California Environmental Quality Act. LAFCO policy authorizes discretionary fee waivers or reductions under certain circumstances, including alignment with a prior Commission recommendation or – as is applicable to this request – a demonstrated financial hardship as determined by the Commission. Staff recommends the Commission consider the waiver request and potential alternatives – including a partial fee reduction and/or an extended payment plan – and take action as deemed appropriate.

Administration Keene Simonds, Executive Officer 2550 Fifth Avenue, Suite 725 San Diego, California 92103 T 619.321.3380 E lafco@sdcountry.ca.gov www.sdlafco.org	Joel Anderson County of San Diego Jim Desmond County of San Diego Vacant, Alt. County of San Diego	Kristi Becker City of Solana Beach Dane White City of Escondido John McCann Alt. City of Chula Vista	Chair Stephen Whitburn City of San Diego Marni von Wilpert, Alt. City of San Diego	Vice Chair Barry Willis Alpine Fire Protection Jo MacKenzie Vista Irrigation David Drake, Alt. Rincon del Diablo	Vacant General Public Brigette Browning, Alt. General Public
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BACKGROUND

Adopted Fee Schedule + Waivers

San Diego LAFCO's adopted fee schedule outlines applicant costs for processing jurisdictional changes and related requests, such as out-of-agency service approvals. Most fees are fixed and non-refundable, reflecting a predetermined allocation of staff resources based on a full cost-recovery model. The schedule provides for two distinct types of fee waivers and reductions: pre-approved and discretionary.

- Pre-approved fee waivers may be granted by the Executive Officer and are limited to proposals that advance specific legislative objectives, including addressing public health threats, eliminating unincorporated islands, and annexing disadvantaged unincorporated communities into cities.
- Discretionary fee waivers or reductions must be formally approved by the Commission in response to a written request submitted by the applicant. These requests are limited to one of two qualifying circumstances: (1) the action aligns with a prior recommendation of the Commission, or (2) the applicant demonstrates a financial hardship as determined by the Commission.

Recent Discussion on Fee Waivers

At its December 4, 2023 meeting, San Diego LAFCO reviewed its existing policies and practices related to applicant fee waivers and reductions. The item was presented at the request of Commissioner Willis and included a discussion of potential options to provide fee relief for applicants that also serve as LAFCO funding agencies. Following discussion, the Commission affirmed its preference to evaluate waiver and reduction requests on a case-by-case basis. The Commission also expressed interest in revisiting the broader topic – including the possibility of sliding-scale reductions for smaller special districts – as part of a future comprehensive update to the fee schedule.

DISCUSSION

This item is presented for San Diego LAFCO to consider a request from the Pauma Valley CSD to waive all processing fees associated with its anticipated annexation proposal involving nine unincorporated parcels. The subject parcels collectively total approximately 19 acres and are developed with single-family residences. All parcels are fully enclosed within Pauma Valley CSD's jurisdictional boundary and sphere of influence. Importantly, the parcels currently receive – and are billed for – services as a result of a longstanding oversight, creating a discrepancy between Pauma Valley CSD's formal boundary and actual service area. Pauma Valley CSD is requesting the fee on the basis of financial hardship, citing the burden the costs would impose as it works to formally reconcile this boundary inconsistency with its ongoing service responsibilities. Specifically, the request cites Pauma Valley CSD's limited financial resources reflected in having a modest operating budget of \$1,892,335 and its recent

decision to make a lump-sum payment to California Public Employees' Retirement System to reduce long-term interest tied to its unfunded liability.

A copy of the fee waiver request is provided as Attachment One.

ANALYSIS

The fee waiver request before San Diego LAFCO appears reasonable in and of itself, based on the circumstances described. This includes a fair nexus between the requested waiver and the public benefit of formalizing local agency boundaries and service responsibilities. However, the extent to which this nexus may arise in other areas beyond Pauma Valley CSD is presently unknown and could have potential precedent-setting implications. Additional factors meriting consideration in the analysis of the request include the following:

- LAFCO Funding Relationship
Pauma Valley CSD's most recent apportionment payment to LAFCO totaled \$1,482 for 2024–2025. The next scheduled payment for 2025–2026 will be \$617. This reduction reflects a cross-category effect resulting from the addition of the Port of San Diego to the LAFCO funding pool.
- Commission Precedent
The Commission has not considered a fee waiver request based on financial hardship since the current fee schedule was adopted in February 2019.
- Waiver Value
The immediate value of the requested fee waiver is estimated at \$6,405.
- Fiscal Impact
Should the Commission approve the waiver, LAFCO would need to absorb the costs by drawing from its unrestricted fund balance. This balance is projected to total \$1.615 million at the close of the current fiscal year and – accounting for existing commitments – is anticipated to decline to \$1.309 million by the end of 2025–2026.

RECOMMENDATION

It is recommended San Diego LAFCO consider the request by Pauma Valley CSD and take one of the alternative actions listed in the proceeding section as deemed appropriate.

(continued)

ALTERNATIVES FOR ACTION

The following alternatives are available to San Diego LAFCO:

Alternative One:

Approve the full requested fee waiver and authorize the Executive Officer to draw \$6,405 from its unrestricted fund balance.

Alternative Two:

Approve a fee reduction in an amount determined by the Commission.

Alternative Three:

Continue consideration of the item to a future meeting and provide direction to staff for additional information and/or outreach, including potential referral to the Special Districts Advisory Committee.

Alternative Four:

Deny the request.

PROCEDURES

This item has been placed on the agenda for action as part of San Diego LAFCO's business calendar. The following procedures, accordingly, are recommended.

- 1) Receive verbal report from staff unless waived.
- 2) Invite testimony from the public.
- 3) Discuss the item and take one of the alternative actions listed.

Respectfully on behalf of the Executive Officer,



Meghan Traynor
Analyst I

Attachment:

- 1) Fee Waiver Request from Pauma Valley Community Services District

PAUMA VALLEY COMMUNITY SERVICES DISTRICT

33129 Cole Grade Road ♦ Pauma Valley, California 92061

Telephone (760) 742-1909 ♦ Fax (760) 742-1588

www.paumavalleycsd.com

Date: May 5th, 2025

TO: Mr. Barry Willis and the Honorable Board of Directors of the San Diego County Local Agency Formation Commission (LAFCO)

Sent via email to: Btwillis9@gmail.com and Keene.Simonds@sdcounty.ca.gov

RE: **Formal Request for Annexation Fee Waiver**

Fred Nelson

President

Dear Mr. Willis and Honorable Board of Directors,

Rich Collins

Vice President

I am writing to formally request a waiver of the fees associated with the annexation of several parcels within our District—commonly referred to as “Islands.” These parcels are currently receiving services from our District and, in accordance with applicable laws and regulations, must be annexed into the District’s Sphere of Influence to ensure the continued provision of services. This initiative is part of an ongoing effort by District staff and our Board of Directors to streamline administrative processes and maintain full compliance with local regulatory requirements.

Lolo Levy

Treasurer

Based on correspondence with LAFCO staff, the estimated annexation fee for these parcels is \$6,405.00. This amount does not include the additional County Filing Fee of \$50.00 and the State Board of Equalization Fee of \$800.00, bringing the total projected cost to \$7,255.00. In light of this, I respectfully request that the honorable Board consider granting a waiver of these fees. Should a full waiver not be feasible, I kindly ask that a partial reduction be considered.

Mike Esparza

Secretary

Our organization is a small Community Services District located in the rural hills of Pauma Valley, operating with an annual budget of \$1,892,335. Our financial reserves remain modest due to a prior administrative decision to make a significant lump-sum payment to the California Public Employees’ Retirement System (CalPERS), aimed at mitigating long-term interest obligations tied to the system’s unfunded liability.

Zan Villanueva

Director

We sincerely appreciate your time, attention, and any consideration you may give to this request for financial relief.

Thank you again for your time, and I look forward to your response at your earliest convenience.

Eric Steinlicht

General Manager

Best Regards,



Eric Steinlicht

General Manager

Eric.Steinlicht@PaumaValleyCSD.ca.gov

CC: Mr. Fred Nelson, President of the Board of Directors

Fred.Nelson@PaumaValleyCSD.ca.gov

"The Mission of the Pauma Valley Community Services District is to protect the public health and environment of its community by providing effective wastewater management, stormwater drainage control, life safety assistance, security services, and exceptional customer care."

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