



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

**7c**

**AGENDA REPORT**  
 Business | Discussion

October 6, 2025

**TO:** Chair Whitburn and Commissioners

**FROM:** Priscilla Mumpower, Assistant Executive Officer

**SUBJECT:** **Update on High Priority Project |  
 Municipal Service Review on Wholesale Water Agencies in San Diego County**

**SUMMARY**

The San Diego County Local Agency Formation Commission (LAFCO) will receive an update on LAFCO's scheduled municipal service review of wholesale water agencies in San Diego County – one of 10 high-priority projects in the approved work plan. This project includes a comprehensive review of the San Diego County Water Authority (CWA) and a proportional review of the Metropolitan Water District of Southern California (MET). The update is provided for discussion with an opportunity to provide feedback to staff with the current expectation of delivering a complete draft report as early as March 2026.

**BACKGROUND**

San Diego LAFCO's current fiscal year work plan includes 30 projects with assigned priorities. A scheduled municipal service review of the two wholesale water agencies operating in San Diego County has been carried over from the prior work plan and designated by the Commission as the highest priority as indicated by its placement as No. 1a. This project stems from the confluence of two factors: (a) LAFCO's directive from the Legislature to regularly perform municipal service reviews covering all cities and special districts and (b) Commission questions generated in its deliberations over two recent reorganization proposals in north county seeking detachment from CWA in favor of joining Eastern MWD in Riverside County.

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LAFCO retains discretion in determining the appropriate scope of each municipal service review and currently does so through policy delegation to the Executive Officer. Nonetheless, all municipal service reviews must meaningfully address the following statutory factors:

- Growth and Population Projections
- Present and Planned Infrastructure and Service Capacities
- Adequacy of Services Relative to Community Needs
- Financial Standing to Provide Services
- Opportunities for Shared Facilities
- Accountability of Governmental Structure and Alternatives
- Any Other Factors Required by Local Policy
  - Environmental Justice (local policy)

## DISCUSSION

This item is for San Diego LAFCO to receive an update on San Diego LAFCO's highest work plan priority in 2025-2026 – a municipal service review of wholesale water service providers: CWA and MET. This project represents the first dedicated municipal service review prepared for the two wholesale water service providers with LAFCO staff being assisted by Dr. Michael Haneman with Arizona State University. The project's scope of work generally follows LAFCO's standard municipal service review format with the notable exception of extending the standard five-year timeline to 15 years.

A summary of progress and emerging themes follows.

### MSR Progress + Emerging Themes

LAFCO staff, in collaboration with Dr. Hanemann, is nearing completion of the MSR. The analysis evaluates wholesale water services provided by CWA and MET, with emphasis on governance, financial standing, and service delivery performance. The review spans FY 2009–2023 and incorporates input from the subject agencies and their member agencies to capture long-term challenges and opportunities. Key areas underlying this analysis and emerging themes – specific to the CWA – follow.

### Diverse Water Supply Portfolio

An assessment of CWA's role in supplying roughly 80% of regional water needs through a diverse portfolio that includes imported water (via MWD and the Quantification Settlement Agreement), Colorado River transfers, and desalinated water from Carlsbad. This assessment identified the following:

- Additions such as desalination and San Luis Rey transfers have enhanced supply resiliency, yet declining demand has left the region with surplus treatment capacity—most notably at the Twin Oaks Valley Water Treatment Plant—generating operational costs without corresponding revenues.

### **Decline in Water Demand + Long-Term Planning Considerations**

A review of declining water demand and its intersection with local investments in potable reuse projects and conservation measures. This review found:

- Despite continued population growth, conservation and local supply projects have steadily reduced demand and are projected to further constrain wholesale deliveries.
- Between 2025 and 2030, deliveries are expected to decline by approximately 30%, and by 2035, potable reuse projects are anticipated to permanently reduce imported water sales by about 115,000 acre-feet annually.

### **Structural Imbalance and Reserves**

An evaluation of CWA's revenue structure and reserve position. This evaluation found:

- CWA's budget is heavily weighted toward fixed costs, which account for approximately 87% of the budget, while fixed revenues represent approximately 28.5%.
- Heavy reliance on the Rate Stabilization Fund from 2019–2023 has reduced reserves to near the Board's minimum policy threshold.<sup>1</sup>
- The settlement agreement with MET—tying conveyance charges to inflation and authorizing resale of conserved QSA water—is expected to provide new financial flexibility.

### **Financial Position and Revenue Trends**

An analysis of CWA's broader fiscal position and trends. This analysis showed:

- In 2023, water sales fell 30%, producing a \$74 million revenue shortfall—the lowest sales volume since 1983.
- At the same time, rates have escalated sharply: untreated water increased from \$520/AF to \$1,579/AF while treated water increased from \$684/AF to \$1,929/AF from 2008 to 2023.

### **Governance and Representation at the CWA**

An examination of CWA's Board structure and related equity considerations. This examination underscored:

- Board voting power is based on historical financial contributions.
- As purchases decline, some agencies retain disproportionate voting influence relative to their present financial participation. The City of San Diego, for example, retains approximately 42% of the voting power, raising regional equity questions, particularly with the City's Pure Water Project scheduled to begin operation as early as 2027.

Staff anticipate delivering a complete administrative draft report for CWA and MWD's internal review as early as October 2025. A complete draft for public circulation is expected to be ready as early as March 2026.

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<sup>1</sup> The CWA has a 150-day reserve policy.

**ANALYSIS**

None.

**RECOMMENDATION**

This item is presented to San Diego LAFCO for information and feedback.

**ALTERNATIVES FOR ACTION**

None.

**PROCEDURES FOR CONSIDERATION**

This item has been placed on San Diego LAFCO’s agenda for information as part of the business calendar. The following procedures are recommended:

- 1) Receive verbal presentation from staff unless waived.
- 2) Invite comments from interested audience members if any.
- 3) Discuss and provide general feedback as needed.

Respectfully,



Priscilla Mumpower  
Assistant Executive Officer