

# SAN DIEGO LAFCO



**COMMISSION MEETING**  
**MARCH 2, 2026**

# SAN DIEGO LAFCO

## Agenda Item No. 6a Proposed Draft Workplan & Budget



3/2/2026

SAN DIEGO COUNTY

Local Agency Formation Commission

# Proposed Draft Workplan & Budget

FISCAL YEAR 2026-2027

Commission Meeting | March 2, 2026 | Agenda Item 6a



# AT A GLANCE

## KEY THEMES

### Status quos with targeted enhancements

Workplan continues with 30 special projects:

- Most are active projects getting rolled forward and taking higher priority placement
- The rest are new projects taking up mostly medium and lower priority placements

Operating budget maintains + builds with 3.4%, or \$90k, increase:

- Increase largely ties to adding new FTE (analyst) + preapproved COLA
- Savings in consultant usage helping to absorb cost increase

Apportionments up 18.7%, or \$408k:

- Absorbing 3.4% increase in operating costs, or \$91k
- Absorbing elimination of unassigned reserves as offsetting revenues, totals \$317k

# WORKPLAN STRUCTURE

## HIGH PRIORITY

**10**

Projects

7 MSR's

1 Proposal-Specific (La Jolla)

1 Organizational (Recruitment)

1 White Paper (City Reservoirs)

## MEDIUM PRIORITY

**10**

Projects

2 MSR's

2 Legislative Proposals

1 Special Study (OSCHD)

5 Administrative Projects

## LOW PRIORITY

**10**

Projects

9 Administrative Projects

1 Special Study (Esco-Rincon)

BULLPEN: 30 additional projects queued for telegraphing purposes...

# HIGH PRIORITY PROJECTS

## #1 MSR

Wholesale Water  
Service Providers

*Hearings:  
May thru Oct 26*

## #2 MSR

SD County  
Healthcare  
Districts

*Hearings:  
Oct 26 through Dec 26*

## #3 MSR

SANDAG

*Hearings:  
Aug through Nov 26*

## #4 Proposal

La Jolla CFA

*Full FY span*

## #5 Org

Recruit +  
Onboard  
New Analyst I

*Summer-Fall 26*

## #6 MSR

San Marcos Region

*Hearings:  
Feb through April 27*

## #7 MSR

Vista Region

*Hearings:  
April through June 27*

## #8 Org

LAFCO Website  
Refresh + Rebrand

*Complete by EOY*

## #9 MSR

Solana Beach +  
Del Mar Region

*Resume Aug '26*

## #10 MSR

SD Port District

*Hearings:  
Jun 27*

# BUDGET OVERVIEW

Total Proposed Budget

**\$2,904,063**

*(8.2%) decrease from FY2026 – driven by grant winddown*

OPERATING BUDGET

**\$2,771,063**

**+3.4% | +\$90,379**

Day-to-day operations

NON-OPERATING BUDGET

**\$133,000**

**(\$350,000) | Grant winddown**

Grant activities + OPEB debt service

# OPERATING EXPENSES

## SALARIES & BENEFITS

# \$1,719,566

+\$130,899 | +8.2%

### Substantive Changes

Salaries & Per Diems	\$1,144,898	+16.1%
Retirement (SDCERA)	\$316,454	-17.7%
Group Insurance	\$164,931	+22.7%

## SERVICES & SUPPLIES

# \$1,051,497

(\$40,521) | -3.7%

### Substantive Changes

PS: Consultants	\$415,000	-26.8%
PS: Commission Counsel (new)	\$80,000	new
Office Lease	\$166,959	+5.2%
Memberships	\$48,893	+40.5%

# REVENUES & APPORTIONMENTS

Total Apportionments

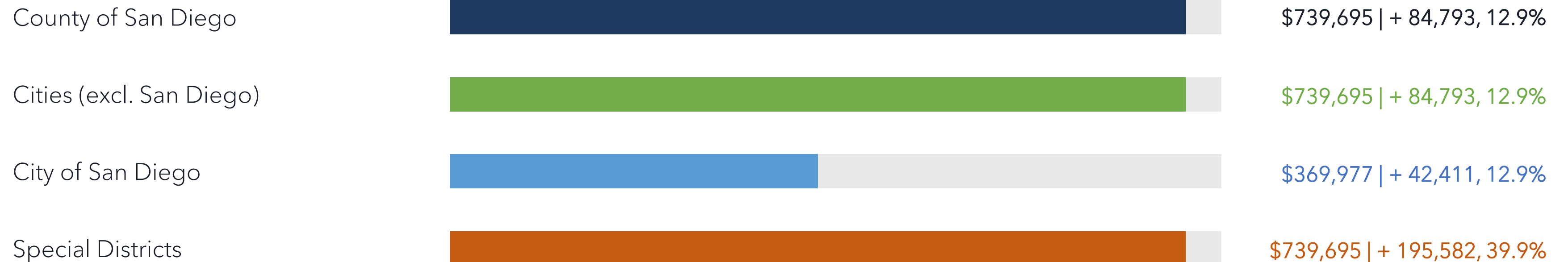
# \$2,589,063

+18.7% | +\$407,580 over FY2026

## WHY 18.7%?

Only 3.4% reflects operating growth.  
The remaining 15.3% (\$317K) eliminates unassigned reserves used as offsetting revenue in FY26

## APPORTIONMENT SHARES



# RESERVE POLICY

## LAFCO Policy F-101:

### First Priority is to Meet Unassigned Thresholds:

- Maintain no less than four months (33.3%) and no more than six months (50.0%) in unassigned monies in reserves relative to budgeted operating costs

### Second Priority is to Committed Designations (Opportunity or Stabilization):

- Opportunity applies to long-term efficiencies and costs-savings
- Stabilization apply to absorbing unexpected costs or shortfalls
- Practice of the Commission to designate no less than \$650k since policy adoption

### If Available, Assigned Monies to EO:

- No more than \$125k to cover fee waivers or special costs for high-priority projects

# RESERVE POSITION

Two Structural Dynamics are Converging:

## 1 The Reserve Floor Keeps Rising

LAFCO operating budget has increased on average by 4.4% between 2018 + 2026, and in doing so raising the 4-month min reserve threshold with it...

FY	Operating Budget	4-Month Floor
2018	\$1.986m	\$661k
2019	\$1.906m	\$634k
2020	\$1.916m	\$638k
2021	\$1.916m	\$638k
2022	\$1.941m	\$646k
2023	\$2.045m	\$682k
2024	\$2.260m	\$753k
2025	\$2.428m	\$809k
2026	\$2.681m	\$894k
2027	\$2.771m	\$924k

## 2 Reserves Used to Offset Costs

LAFCO has budgeted unassigned reserves each year between 2020 + 2026 to lessen agency contributions, and in doing so lowering reserve totals...

FY	Total Reserves	Committed Assigned	Unassigned	% to Op Budget
2020	\$1.318m	\$675k	\$642m	33.5%
2021	\$1.691m	\$675k	\$1.016m	53.0%
2022	\$1.637m	\$875k	\$762k	39.3%
2023	\$1.548m	\$813k	\$735k	35.9%
2024	\$1.637m	\$875k	\$762k	33.7%
2025	\$1.732m	\$850k	\$882k	36.3%
2026	\$1.672m	\$750k	\$921k	34.4%
*2027	\$1.362m	\$438k	\$924k	33.3%

\*\* Assume \$0 use of reserves in FY27 \*\*

## RECOMMENDATION

# Adopt the Resolution

1

Approve the proposed draft workplan (Exhibit A) and budget (Exhibit B) for FY27

2

Incorporate any desired changes from the Commission

3

Direct staff to circulate for public review and comment to all funding agencies

4

Final versions return for Commission consideration in May 2026



# SAN DIEGO LAFCO

**Agenda Item No. 6a  
Comments/Questions?**



**3/2/2026**

# SAN DIEGO LAFCO



**COMMISSION MEETING**  
**MARCH 2, 2026**

# **SAN DIEGO LAFCO**

**Agenda Item No. 6b**

**Request to Continue to April 6, 2026**

**Draft Municipal Service Review on City of Carlsbad**



**3/2/2026**

# SAN DIEGO LAFCO

**Agenda Item No. 6b  
Comments/Questions?**



**3/2/2026**

# SAN DIEGO LAFCO



**COMMISSION MEETING**  
**MARCH 2, 2026**

# **SAN DIEGO LAFCO**

**Agenda Item No. 7a**

**Quarterly Update on 2025-2026 Workplan**



**3/2/2026**



Figure 1 - Strategic Action Plan Summary

# LAFCO-Specific Tools



**Tool 4D:** Expand agriculture analysis in local gov't planning documents (MSRs) to recognize the economic contribution of the local agricultural industry

**Tool 4E:** Develop an implementation plan/strategy and present an annual report on the progress and status of the Strategic Actions to the LAFCO Commission and stakeholders

# SAN DIEGO LAFCO

**Agenda Item No. 7a  
Comments/Questions?**



**3/2/2026**

# SAN DIEGO LAFCO



**COMMISSION MEETING**  
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# **SAN DIEGO LAFCO**

**Agenda Item No. 7b**

**Draft Water Rates Comparator Study**



**3/2/2026**

# SDAC water rates Ad-Hoc committee approach



## Goal

- Produce information that can help the public and the commission understand why water rates vary

## Constraints

- We will not define any rates as “good” or “bad”
- We are working with publicly available data
- We chose metrics that are easy to understand for the public and the commission

## Caveats

- Not all data is prepared for this use – this is derivative work that will contain errors
- The metrics are not exact – these are relative comparisons
- We only looked at a few of myriad possible metrics

# How do we evaluate water rates?



- Are there “good” rates or “bad” rates?
  - Short answer: No
  - Rate structures that have fixed revenues that are closer to fixed costs are “better”
- Water rates are **very** agency specific
  - No two agencies are identical
  - All have different cost drivers
- Water rate setting is tightly controlled
  - Cost of service principles are mandated by the ca constitution
  - Cottage industry of law firms monitor this closely

# Initial group of metrics



- **System Density**

- Higher density systems have more accounts to spread fixed costs across which tends to lower rate impacts - measured in connections per mile of pipeline

- **System topography**

- Systems with large elevation changes have more pumping, tanks, and pressure regulation stations which tends to increase rate impacts - measured in total elevation change in system

- **Local Water Treatment**

- Most agencies with their own treatment plants produce water at a lower marginal treatment cost than wholesale treatment which lowers rate impacts

# Initial group of metrics



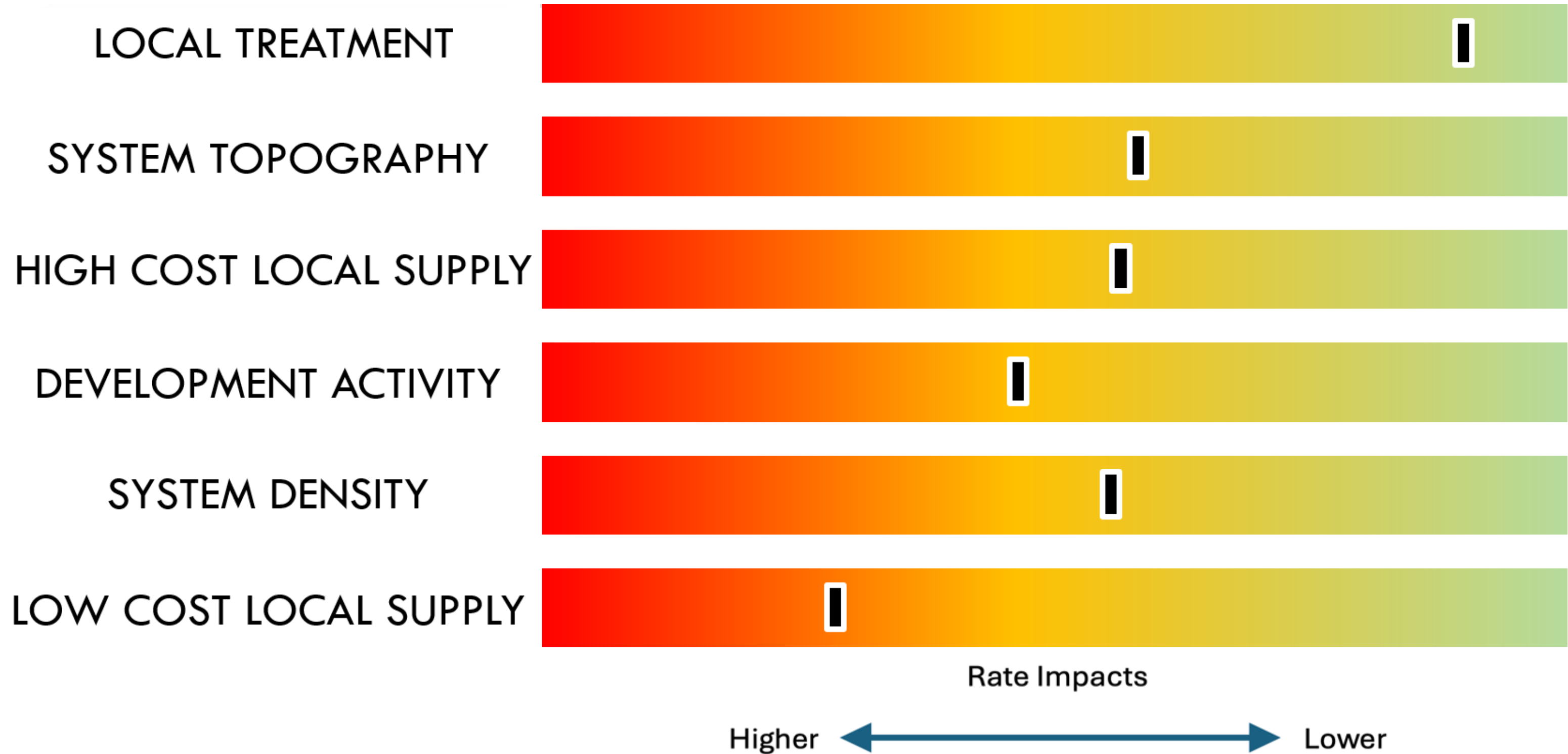
- **Development activity**
  - Agencies with high development activity receive large amounts of capacity fee revenue which lowers need for operating revenue and thus rates
- **High-cost local supply**
  - Agencies with local supplies that require desalination or potable reuse supplies require marginally higher rates to support this local supply
- **Low-cost local supply**
  - Agencies with lower cost local surface or groundwater supplies require marginally lower costs to support this local supply

# Initial round of analysis

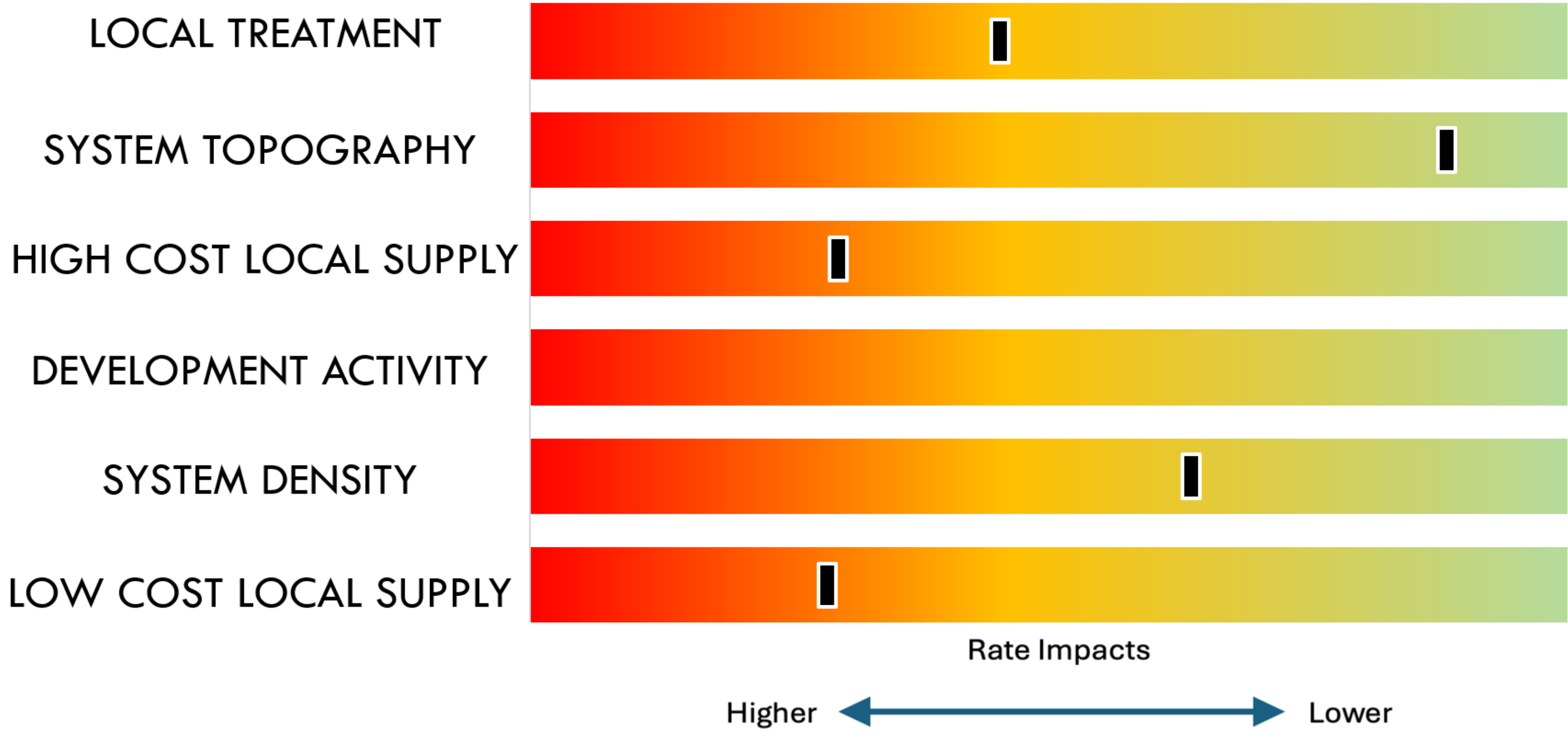


- Rough data was collected for all agencies, but the north county coastal MSR underway currently provided more data
- Three subject agencies will be reviewed today
  - Olivenhain MWD
  - Carlsbad MWD
  - San Dieguito Water District
- The work product consists of “slider bar” charts

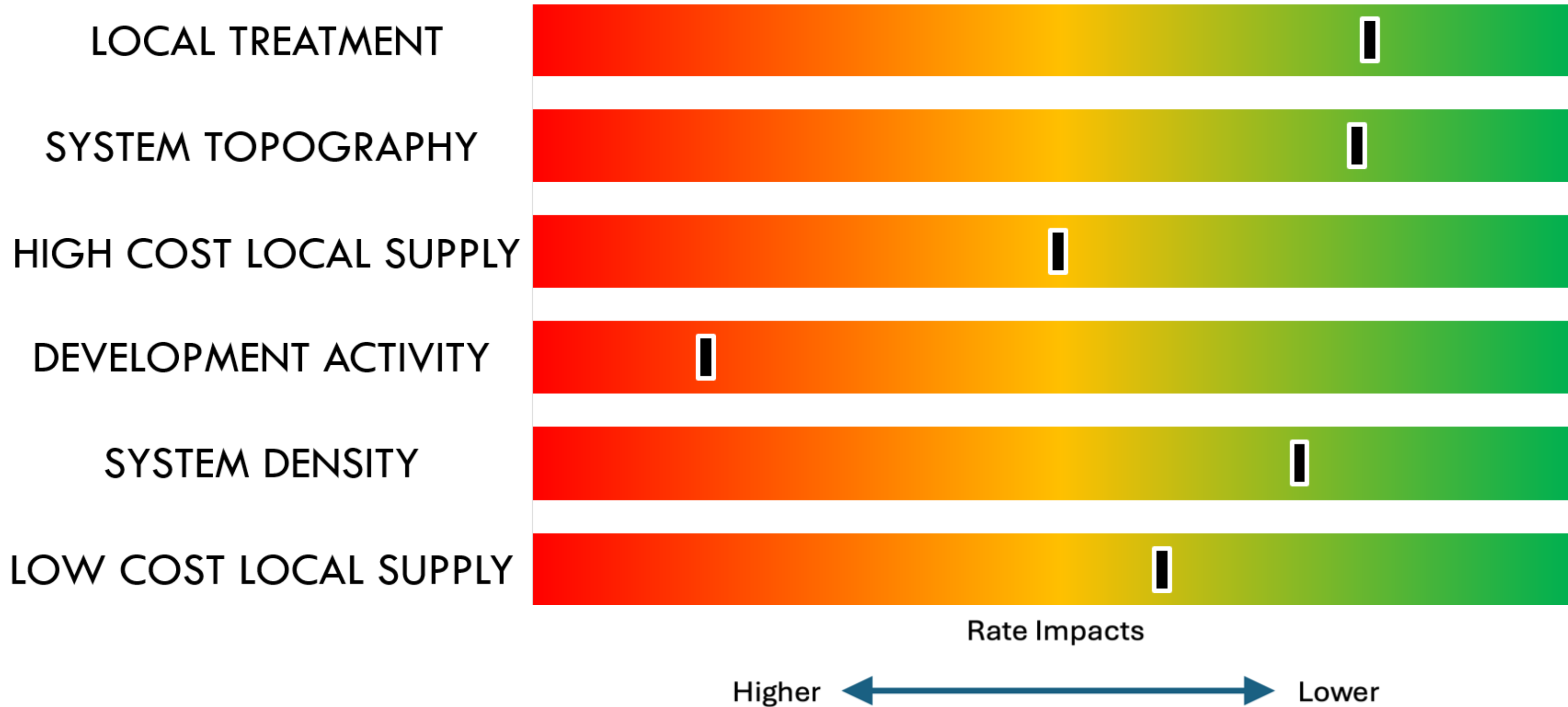
# Olivenhain MWD



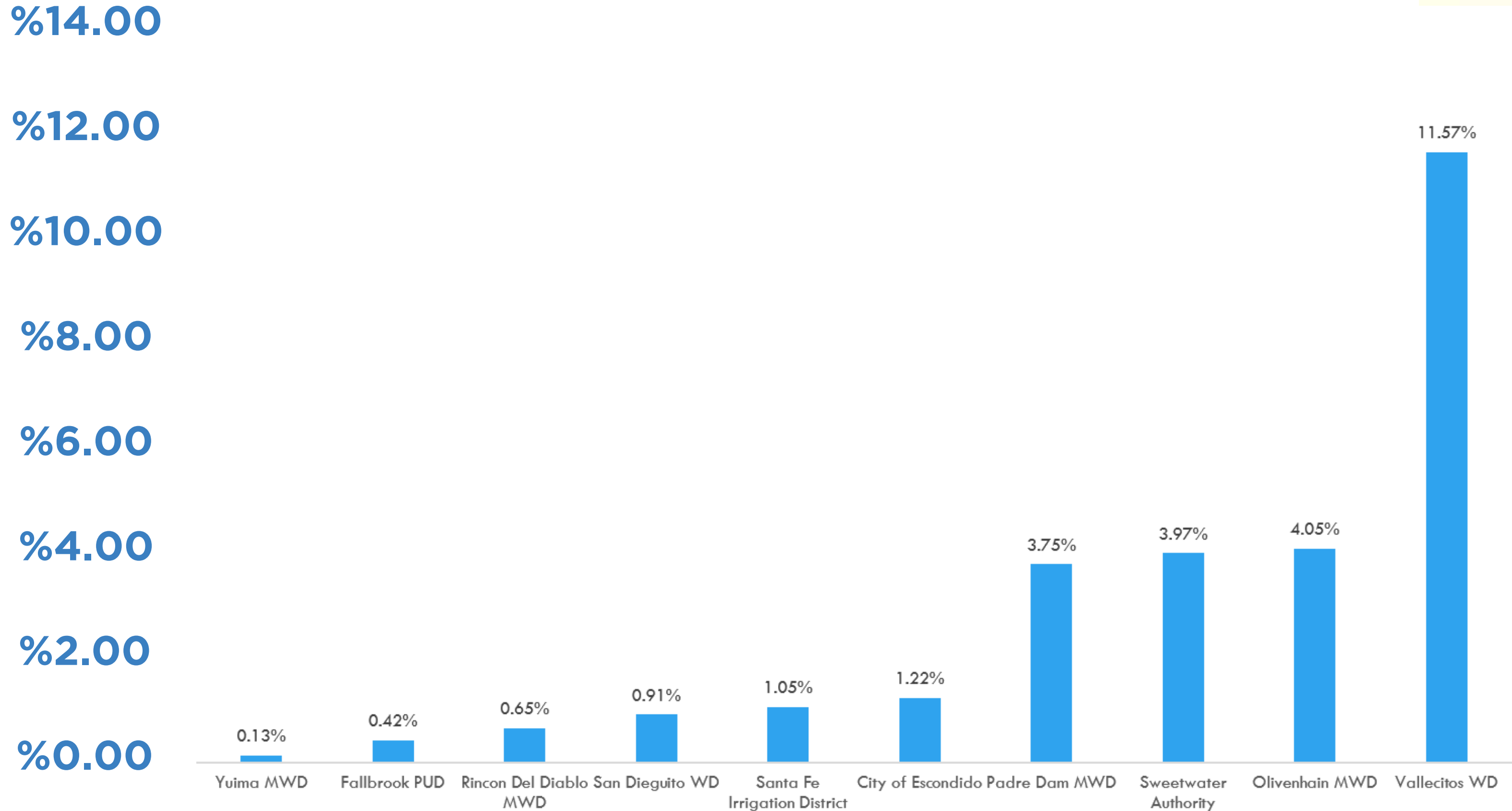
# Carlsbad MWD



# San Dieguito MWD



# Capacity Fees as a Percentage of Operating Fees



# What is the optimal water rate?



- To ratepayers the optimal rate is the lowest rate
  - Good for short term, not so good in the long term
- For agencies, the optimal rate supports their financial stability
  - Debt service, reserves, etc.
- For lafco the question is more nuanced
  - Will rates support the provision of the assigned municipal service now **AND** for the foreseeable future?

# Capital spending and water rates



- The provision of Water/wastewater services is highly dependent on capital assets
  - Pipelines, tanks, treatment plants, etc.
- All assets have fixed life spans and will require rehabilitation or replacement at some point
- Agencies need to continuously reinvest in capital assets to maintain service levels
- ***Appropriate capital spending increases water rates***

# How to assess capital spending?

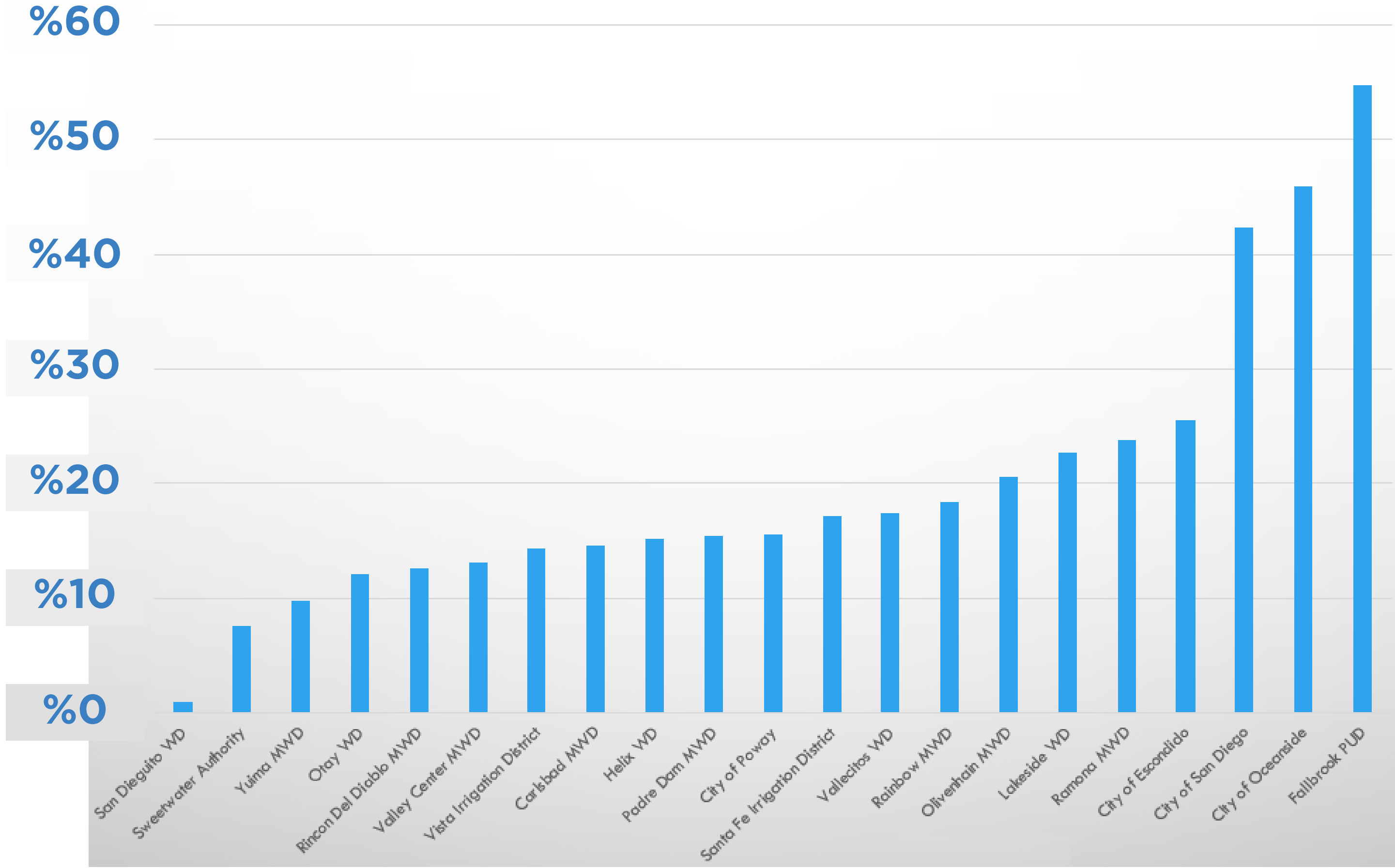
- There is no simple metric that uses broadly available information
- We looked at two imperfect metrics
  - Capital spending as a percentage of operating expenses
  - Capital spending as a percentage of depreciation expense
- Both have flaws
  - Can't account for single large projects that distort averages
  - Can't account for CIP projects not related to asset management (new HQ buildings, etc.)

# CIP spending analysis

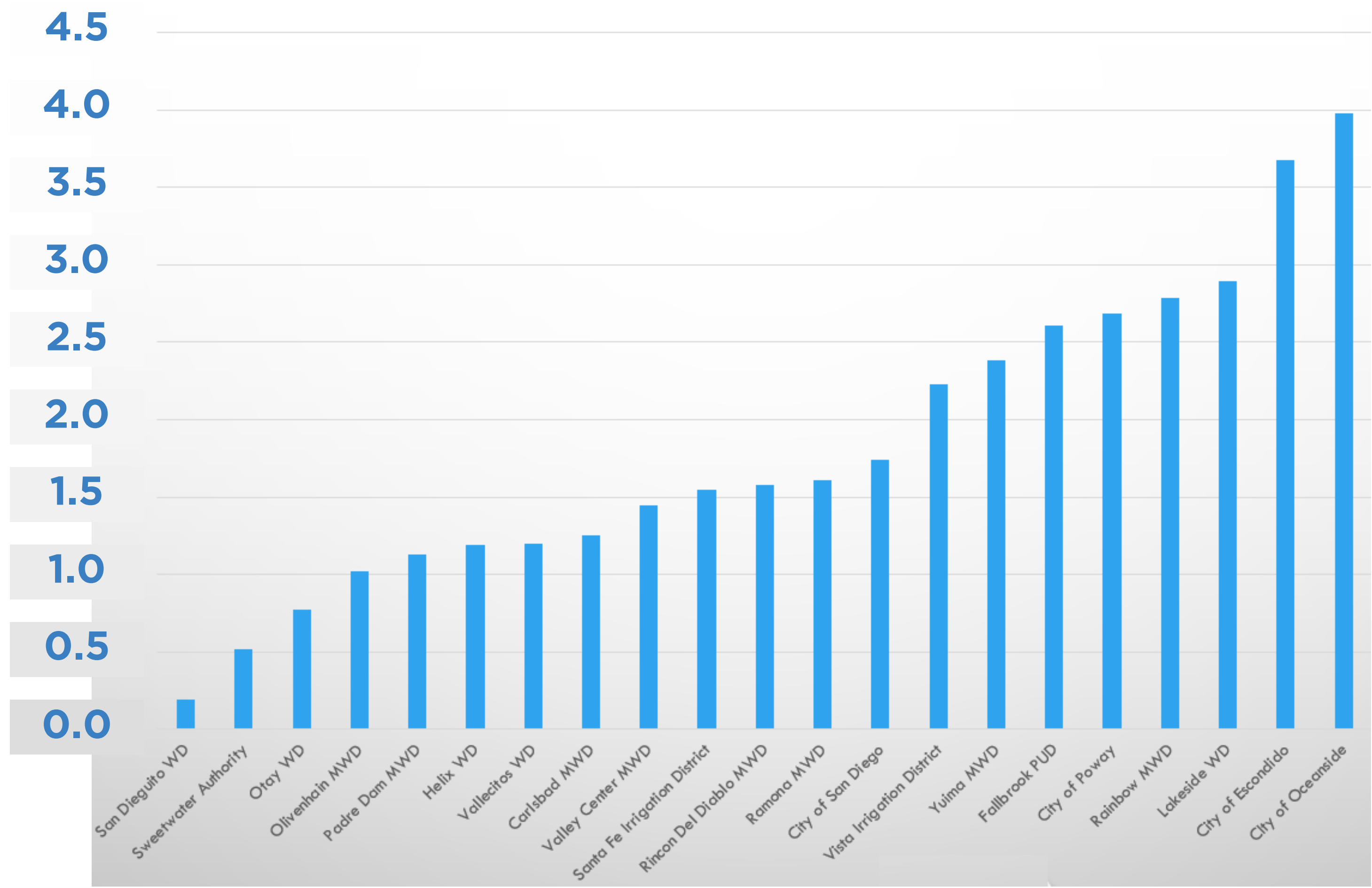


- Looked at 5 years' worth of ACFRs for all agencies
  - 2019-2023 (except for SFID and Rainbow which started in 2020)
  - Sweetwater Authority only had two years' worth of data on website
- Calculated 5-year averages for
  - Operating Expenses
  - Depreciation
  - CIP Expenses
- No evaluation on exactly what the CIP spending was for

# 5 Year Average Percentage of CIP Spending Compared to Operating Expenses



# 5 Year Average CIP to Depreciation Ratio



# What do these charts mean?



- They only represent a comparison to other agencies, but some inferences can be drawn
  - If you are spending less than 15% of your operating expenses you are probably spending too little
  - If your ratio of CIP to depreciation is less than 1.0 you are probably spending too little
- San Dieguito stands out here – and they have acknowledged the issue and have made changes since the study period ended.

# What do these charts mean?



- The real takeaway is that from an asset management perspective most agencies have rates that are **TOO LOW**, not too high
  - Budget process “triage” guts capital programs to keep rates down
- Agencies should have comprehensive asset management/pipeline replacement programs in place
  - Detailed asset registry and work orders linked to assets
  - Continuous condition assessment processes
  - Capital spending informed by condition assessment
- If agencies wait until it is too late to perform proactive asset management, the provision of services will be disrupted
  - Gary Arant: “You can replace mains 3 feet at a time or 3 miles at a time.” The latter is preferred

# Written Draft Report



- The report provides two recommendations
  - Agencies should be actively using or developing advanced asset management practices to ensure that scarce funding has biggest impact on service reliability
    - Ensures long term service provision to communities
  - If possible, some mechanism should be developed by the legislature to allow wholesale agencies to collect their costs directly rather than through the billing systems of retailers
    - Increases accountability for wholesalers and reduces what is often the largest cost component for retail agencies, freeing up funds for asset management

# SAN DIEGO LAFCO

**Agenda Item No. 7b  
Comments/Questions?**



**3/2/2026**

# SAN DIEGO LAFCO



**COMMISSION MEETING**  
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# **SAN DIEGO LAFCO**

**Agenda Item No. 7c**

**Request to Authorize the Cities Advisory Committee to  
Conduct Meetings Remotely and Related Findings**



**3/2/2026**

# SAN DIEGO LAFCO

**Agenda Item No. 7c  
Comments/Questions?**



**3/2/2026**

# SAN DIEGO LAFCO



**COMMISSION MEETING**  
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# **SAN DIEGO LAFCO**

**Agenda Item No. 7d**

**Adoption of a Formal Parliamentary Procedure  
and Amendment to Article II (Meetings)  
of the Commission's Rules**



**3/2/2026**

# SAN DIEGO LAFCO

**Agenda Item No. 7d  
Comments/Questions?**



**3/2/2026**

# SAN DIEGO LAFCO



**COMMISSION MEETING**  
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# **SAN DIEGO LAFCO**

***CLOSED SESSION IN PROGRESS...***



**COMMISSION MEETING**  
**MARCH 2, 2026**