

BOARD OF DIRECTORS

December 3, 2019

SUBJECT

CONSIDER ADOPTION OF A RESOLUTION OF APPLICATION AUTHORIZING THE GENERAL MANAGER TO PREPARE AND SUBMIT AN APPLICATION TO THE SAN DIEGO LOCAL AGENCY FORMATION COMMISSION TO DETACH FROM THE SAN DIEGO COUNTY WATER AUTHORITY AND ANNEX TO EASTERN MUNICIPAL WATER DISTRICT

BACKGROUND

During World War II, the population of San Diego County increased rapidly due to wartime buildup of the Navy and other military bases in San Diego County. As local water supplies were insufficient to support this effort, the Federal Government began the construction of the first pipelines to bring Colorado River water into San Diego County. This pipeline connected to the existing Colorado River Aqueduct owned and operated by the Metropolitan Water District of Southern California (MWD). The first pipeline was connected to MWD's system near San Jacinto, CA and extended to the San Vicente Reservoir just east of San Diego.

MWD is allowed by statute only to sell water to public agencies who are members of MWD, so as part of the process of bringing imported water into San Diego County, the State of California formed the San Diego County Water Authority (SDCWA) in 1944 to operate as the MWD member agency for San Diego County. The first water deliveries to the region began in 1947. RMWD joined in 1953.

While the original political boundaries of SDCWA followed the County line as a separation, the engineers who designed the pipelines did not use those boundaries. For the first aqueduct, the separation between MWD and SDCWA was set at the halfway point between the connection near San Jacinto and the San Vicente Reservoir. As it turns out, for the first aqueduct this separation point is several miles into San Diego County, located roughly where the aqueduct crosses State Highway 76 just east of I-15. MWD owns and operates stretches of the second, third, and fourth aqueducts well into San Diego County with the separation points being shown in Figure 1 below.

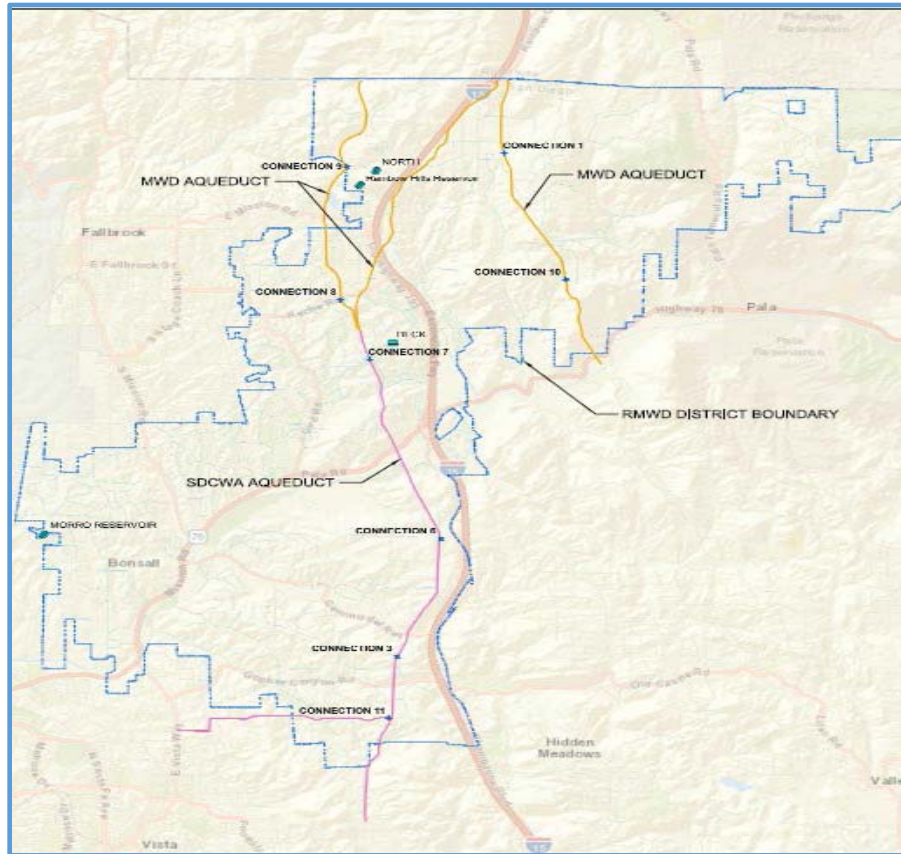


Figure 1: RMWD Aqueduct Connections

For RMWD, four of the eight connections are on MWD’s pipelines with one of the connections to SDCWA’s pipeline being just 3000 feet from the point of separation. Currently, the District receives a credit on our monthly bills from SDCWA identified as “MWD Direct Delivery”. This credit is currently equal to SDCWA’s Transportation Charge. This charge is levied for each acre foot of water delivered through SDCWA pipelines. The charge is the same whether an agency uses 3000 feet of pipeline or 60 miles of pipeline.

RMWD and the Fallbrook Public Utility District (FPUD) are the only SDCWA member agencies who have direct connections to MWD. The two districts are unique in the County – no other SDCWA member agency has direct connections to the MWD system. The existing direct connections between MWD and RMWD and FPUD obviate the need to develop new physical connections. The District’s and MWD’s existing geographic service areas also would not be altered as a result of the detachment and annexation actions because MWD is already capable of serving RMWD and the FPUD through existing infrastructure.

In the years following the construction of the aqueducts water was cheap and the arrangement worked well for all parties. However, over the last 25 years, SDCWA has made significant investments in the Emergency Storage Project (ESP) to construct new storage and treatment facilities. RMWD cautioned SDCWA during the environmental review of the ESP that the costs for these investments would be problematic for our agricultural customers. As expected, these investments have increased the cost of water significantly – adding several hundred dollars per acre foot to the cost of water.

While these investments may be good for agencies south of the Districts, neither FPUD nor RMWD receive commensurate benefits from these improvements. Virtually all of the water delivered to both agencies comes from the Skinner Water Treatment Plant, owned and operated by MWD in Southwest Riverside County. The hydraulics of the aqueduct system are such that water flows from north to south, so apart from infrequent hydraulic conditions, all the water served to the Districts comes from an MWD owned treatment plant. The two southernmost RMWD connections do receive some water from the SDCWA Twin Oaks plant more frequently, but it is not the dominant source of supply. Both Districts are more similar to

water retailers in Southwest Riverside County than to other SDCWA member agencies in that those agencies, like RMWD and FPUD, receive water through MWD owned facilities, not through facilities owned by the wholesale agency.

Further, the ESP facilities constructed to date cannot serve either of the Districts. SDCWA has been implementing the ESP since 1996 and had contemplated constructing new pump stations to move water to the north, but those pump stations have not yet been constructed. SDCWA is still in planning stages for these facilities and no formal design work has commenced for their construction. Construction funds for the project are not included in the current SDCWA two-year budget. While a portion of the southernmost RMWD service area can receive limited amounts of ESP water, absent the long-promised pump stations, moving water north of highway 76 would require additional investments by RMWD – even though RMWD had paid at least \$20 Million to date in ESP related charges.

As predicted by the District in its comments during the ESP CEQA process, the increased cost of water has been devastating to our primarily agricultural customers. Over the last 20 years, the all-in melded treated water rate from SDCWA has tripled. Every resident in the Bonsall/Fallbrook/Rainbow region can attest to having acres of dead avocado trees and stumps scattered throughout our service area. Changing wholesale water suppliers would help the District’s agricultural customers maintain their current rates of agricultural production.

As ESP and other costs have been introduced into the SDCWA rates, there has been a direct relationship between the cost of SDCWA supply and the demands of our customers. While most agencies within San Diego County have had declines in demands, none have been higher than the agricultural agencies. In FY 2019, RMWD purchased under 15,000 Acre feet from SDCWA, down from a high over 34,000 acre feet 15 years earlier – a reduction of about 60%. RMWD’s demands have dropped to the point where we can provide full service to all of our customers using just the four turnouts directly connected to MWD’s system. Figure 2 below shows the dramatic relationship between the cost of SDCWA water and the rapid decline of agricultural water demand in our service area.

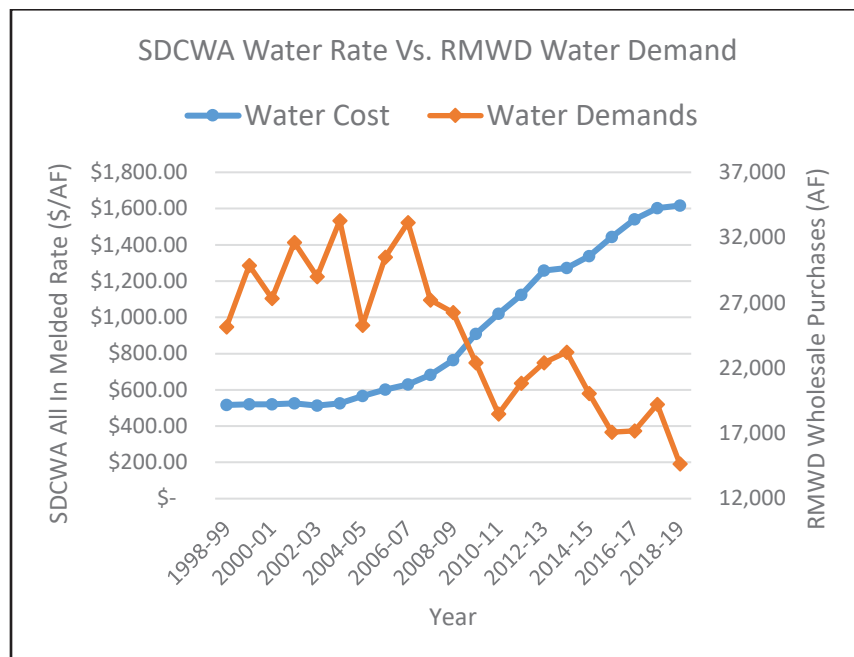


Figure 2: SDCWA Cost and RMWD Demands - 20 yrs

As RMWD approaches our 70th year in operation, we have significant needs for pipeline replacement. A good number of the pipelines in use today were installed by now defunct Mutual Water Companies that constructed the pipelines even before RMWD existed. Absent some relief from our wholesale water costs (which make up ~70% of our entire cost structure), the District will need to raise rates sharply in order to

generate the revenue needed to tackle infrastructure replacement. This would then compound the increased costs in wholesale supply and further hasten the decline in our only local economic activity – agriculture. This action is not just to save some money for our customers – this action is necessary to preserve the foundation of our local economy and the character of our community.

DESCRIPTION

The Resolution of Application under consideration in this agenda item will authorize the General Manager to prepare an application to the San Diego Local Agency Formation Commission (SDLAFCO) for the detachment of the District's service area from SDCWA and annexation into the Eastern Municipal Water District (EMWD). EMWD is the MWD wholesaler serving eastern and southern Riverside County and their boundary is located adjacent to RMWD's border. The geographical area in which SDCWA, the RMWD and EMWD exercise their existing powers will not change because: (1) the water lines conveying water to RMWD do not coincide with the delineation of County lines; (2) the District currently has connections directly to MWD's distribution system, which will remain in place; (3) there would be no expansion of RMWD's service area as the result of the change; (4) and both EMWD and SDWCA are member agencies of MWD. The Resolution of Application will authorize the General Manager to provide additional information to SDLAFCO as needed during the processing of the application.

The capacity of the District to serve its customers will neither increase nor decrease as a result of the detachment. We will have access to the same sources of water we have now with no change as to availability now or in the future when compared to staying within SDCWA. Further, this change in water wholesalers will not have an impact on other member agencies in SDCWA, apart from a de-minimis financial impact as described below. This financial impact is well below other financial drivers at SDCWA and will not limit the capacity of SDCWA's operations nor those of its member agencies.

Over the last two months, SDLAFCO entered into a Memorandum of Understanding with Riverside County LAFCO (RCLAFCO) that allows SDLAFCO to handle all aspects of both the detachment of the District within San Diego County and the annexation process into EMWD which is in Riverside County. This sort of MOU is allowed under the Cortese Knox Local Government Reorganization Act (CKH) and benefits the District by focusing all work within one LAFCO thus negating the cost and effort of two application processes.

The application process includes the initial submittal of applications to SDLAFCO. Once SDLAFCO receives the adopted tax resolution regarding the reallocation of property taxes, SDLAFCO will issue a certificate of filing and begin the process of evaluating the application to determine compliance with applicable codes and SDLAFCO procedures. This process is expected to take at least six months and perhaps more depending on whether additional information is required from the District as well as the nature and extent of comments provided by affected and interested parties. In addition, there will need to a property tax exchange evaluation by the San Diego County Assessor's office to make any taxation modifications triggered by the reorganization. This process also takes several months but is expected to be performed concurrently with the SDLAFCO application processes.

At such point SDLAFCO staff determines the application is complete they will schedule a series of public hearings with the SDLAFCO commission. It is also anticipated the matter will be considered by the SDLAFCO Special Districts Advisory Committee. These series of meetings will also take a few months to complete. At some point, the Commission will hold its final hearing to vote on the application. Should the Commission approve the application, the provisions of the County Water Authority Act, which governs key elements of this process, require an election to be held within our service area. Our community will be asked to vote on whether they wish to remain part of SDCWA or make the move to EMWD. Should the election result in our electorate choosing EMWD, SDLAFCO will then certify the move. There will be a few procedural steps to finalize the process that may take a few more months. The process should take about 18 months total. Figure 2 shows the general flow of the process.

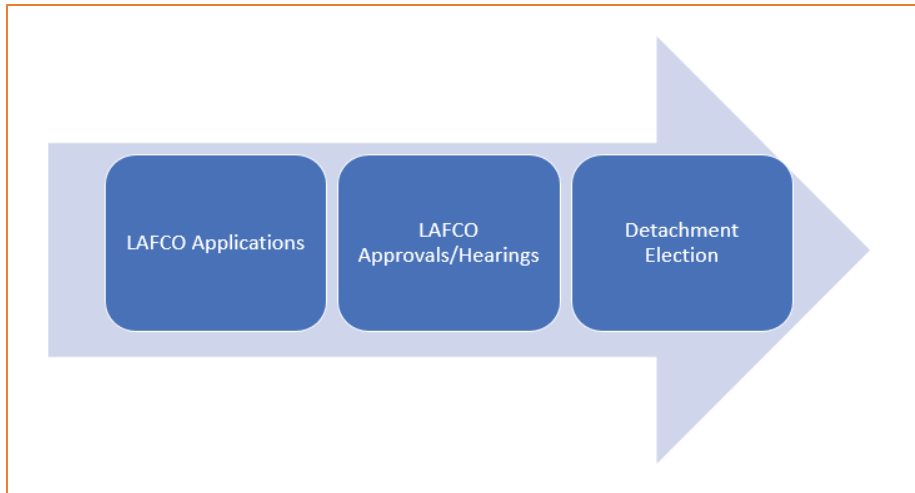


Figure 3: LAFCO Process

As noted above, there may be significant opposition to the detachment, primarily from SDCWA. Staff with both RMWD and FPUD have been trying for many months to have substantive discussions with SDCWA to see if there was a way to resolve any impacts the detachment may have on SDCWA, but those efforts did not bear fruit. SDCWA has essentially refused to engage with either District on the matter. The Board should be aware that moving forward with the application to SDLAFCO bears some risk of litigation. In our application to SDLAFCO we must also indemnify SDLAFCO and bear the cost of defense of any litigation directed toward SDLAFCO.

FISCAL IMPACTS

As noted above, wholesale water costs represent about 70% of the District’s entire operating cost. Figure 2 above shows how the wholesale costs from SDCWA have risen dramatically over the last 20 years. In the arrangement with EMWD, which was detailed in an MOU between the District and EMWD that was approved earlier this year, the District would have access to the same water supplies it obtains from SDCWA but at a significantly lower cost. Since taking deliveries from EMWD requires no EMWD owned facilities (we will use the MWD owned pipelines), EMWD’s charge over the MWD wholesale rate is just \$11 per acre foot more than the MWD wholesale rate.

SDCWA’s wholesale rate is much higher for several reasons. First, SDCWA operates and maintains a series of aqueducts, treatment plants, and reservoirs located south of the District. Since our inception, the ratepayers of the District have contributed over \$500 Million toward to cost of constructing and maintaining these facilities. This is despite the fact that our ratepayers have received zero benefit from the vast majority of these facilities. In effect, the ratepayers of the District have subsidized the water costs of everyone located south of its boundaries over the years totaling more than \$560 Million dollars.

Figure 4 below shows the relationship between MWD’s current wholesale rate, EMWD’s wholesale rate, and SDCWA’s wholesale rate. While there are other rates at SDCWA, most importantly is the Transitional Special Agricultural Water Rate which represents their most commonly cited Melded All-In Treated Water Rate (TSAWR). The District does purchase a significant quantity of TSAWR water and the difference in this rate is lower, but this chart shows the Melded All-In Treated Water rate from SDCWA is over \$400 more expensive than the exact same water, from the exact same sources, and the exact same treatment plant from EMWD.

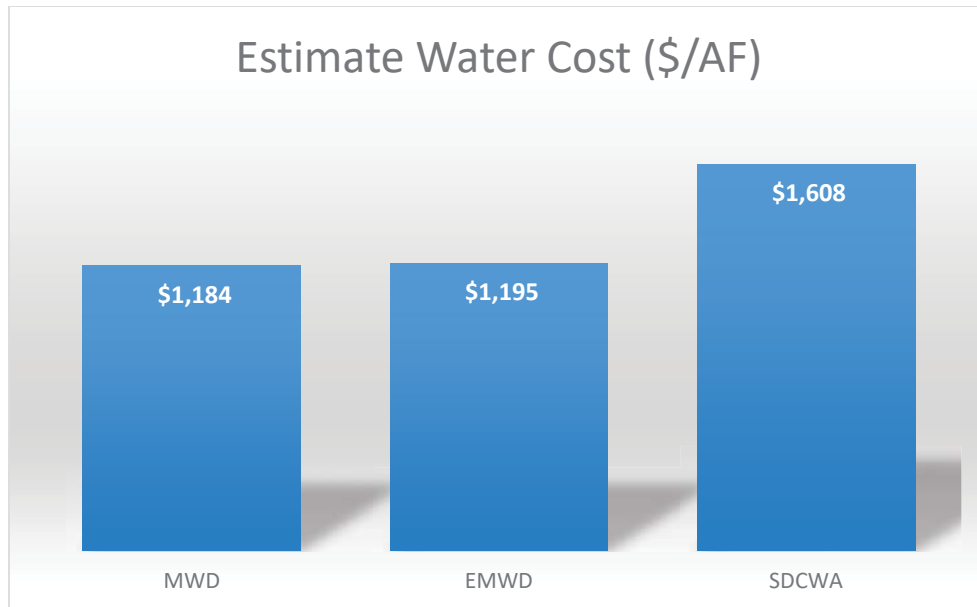


Figure 4: Wholesale Water Rate Comparison

The current estimate for annual savings for the ratepayers of the District has been projected by the District's financial model to be approximately \$6.4 Million in FY2022 (the earliest we would forecast the detachment to be in effect). This represents a decrease of about 20% off the total cost of wholesale water purchases. The published forecasts of SDCWA and MWD rate increases included in the financial model indicate that the progression of upward rates at SDCWA will continue to rise, but the EMWD rate of \$11 per acre foot will remain low. The fact that EMWD has very few costs involved with being our water wholesaler – they only process the invoices – means there is no cost of service basis by which to support a rate increase. By FY2030 the annual cost savings are expected to reach \$10 Million per year.

More importantly, these savings could fully fund our annual capital improvement program for pipeline rehabilitation and replacement – with money left over for rate relief. As noted above, absent these savings, rates will need to be ratcheted up significantly – up to 35% over three years – in order to provide the same revenue stream. Put simply, the change in water suppliers is essential to stemming the loss of agricultural activity and retaining the character of our community going forward.

There have been concerns raised about the fiscal impact on agencies remaining within SDCWA. The impact of detachment of the District will have an effect on the price of water for those agencies. However, using SDCWA's projections of the impact of the detachment of RMWD, the actual cost increase per acre foot is only about \$18.64. With a base cost of \$1608 per AF, this represents a 1.1% increase in the cost of wholesale supply to member agencies south of the District. Figure 5 shows this relationship, although it may be challenging to see the small orange box on the column to the right.

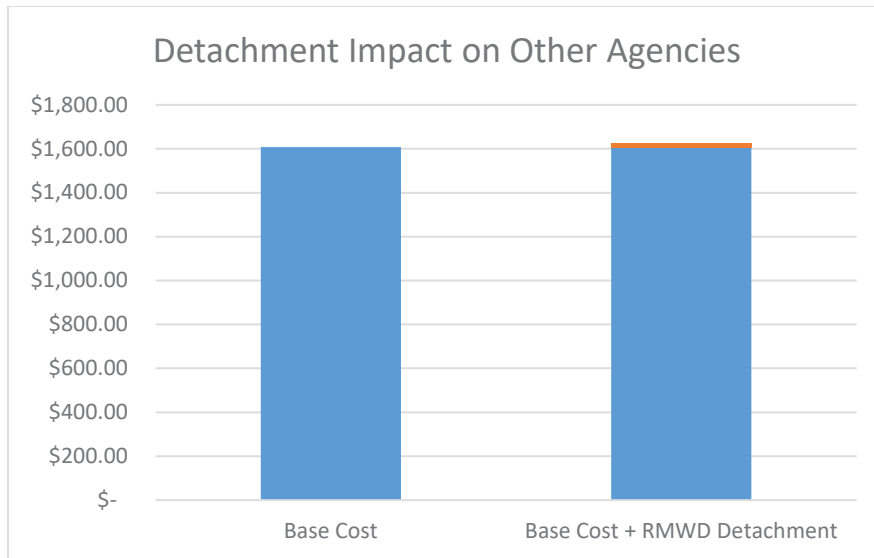


Figure 5: Impact on Other Agencies

When considering these extra costs for agencies south of the District, it is important to keep in mind that historically one-acre foot of water would serve three homes for a year. In many urban areas, one acre foot can serve four or five homes per year. If the District continues with one acre foot serving three homes per year, the extra costs for those homes for the \$18.64 increase per year would be just over \$6 per year, or \$0.50 per month.

In addition, SDCWA has already placed the construction of the long-promised ESP pump stations project on hold. This project has a budget of \$40 Million to serve both RMWD and FPUD. When these savings are taken into consideration, there would be no negative impact on agencies to the south for many years. Further, all agencies south of the District will continue to enjoy the benefits of the infrastructure the District's ratepayers paid over \$560 Million to complete and will now leave behind to continue to serve their customers.

Water users to the south also receive an instant increase in the value of the various supply reliability projects SDCWA has constructed, but don't benefit our region. Not only will they not have to construct the facilities mentioned above, the investments all SDCWA member agencies, including RMWD, have made over the years will now provide extra storage for use by agencies to the south in times of need. RMWD has never had access to those supplies over the years, so the overall reliability of our water supplies will remain essentially the same as it has always been.

SUPPLY RELIABILITY

The District has prepared a comprehensive supply reliability study demonstrating that the sources of supply from MWD are equivalent in terms of supply reliability. This study is attached in draft form as there may be clarifications needed as part of the SDLAFCO review process. All of the water delivered to SDCWA comes through the MWD system either as MWD direct purchases or as part of the Exchange Agreement between SDCWA and MWD that exchanges water supplies SDCWA has secured in the Imperial Valley for water to be delivered by MWD. While SDCWA may characterize their supplies as being primarily from the Imperial Valley, the reality is that the Exchange Agreement just moves those supplies into MWD's supply portfolio and MWD then moves water into the SDCWA service area based on its operational decisions.

As the supply reliability study shows, MWD has a robust mix of water sources from both the Colorado River and the State Water Project. The mix of water delivered in any given year is based on operational decisions made by MWD, not SDCWA. During wet years in the Sierras, we generally see more State Water Project water coming into the county. In other years, the supply may tilt more toward Colorado River supplies. MWD's supply, transmission, and storage capacity greatly exceeds that of SDCWA; therefore, their ability

to manage shortages in either source allows them to provide a great certainty in the area of supply reliability.

There is only one scenario SDCWA may point to as a concern with the detachment – a massive earthquake on the Elsinore Fault would disrupt the MWD conveyance system between the District and the MWD treatment plant at Lake Skinner in Riverside County. Even though the Elsinore Fault is relatively inactive and has not produced major earthquakes along the lines of those seen on the San Andreas fault, should the extremely unlikely scenario of a major earthquake cause damage to MWD's massive, buried pipelines, MWD's forecast is that any outage would last only two weeks. RMWD has demonstrated during several recent SDCWA outages that our current system storage is sufficient to provide ample water supply during these short-term outages.

To further bolster supply during this extremely unlikely event, the District has entered into an MOU with FPUD to obtain access to emergency supplies from the FPUD Santa Margarita Conjunctive Use Project which is nearing completion in cooperation with Camp Pendleton. Should this massive and unlikely earthquake disrupt service from the north, our in-system storage and these supplies, while limited, will provide for basic health, sanitation, and fire safety needs of our customers.

In addition, based on the repeated failures of the SDCWA aqueduct within our service area (three times in eight years), it is not guaranteed the same earthquake would not damage SDCWA's pipelines and eliminate access to water from the south.

SUPPORTING DOCUMENTS

While not every single document to be made part of the SDLAFCO application is included in this action item, the primary documents are attached as follows:

Plan for Service: This is a statutorily required component of the reorganization application. This document outlines several options by which RMWD can provide service should the detachment be approved. Since the District will be receiving the same water from the same sources, there is no real difference from a supply standpoint. As reflected in the Draft Plan for Service, the District can either utilize both our four northerly MWD connections and our four southern connections through a wheeling agreement with SDCWA, or just our four northern connections interconnected directly with MWD's aqueduct. In order to use only our four northerly MWD connections, the District would need to make minor infrastructure improvements to move water efficiently from north to south; all of which have been previously identified in the District's capital improvement programs and would be implemented whether or not the District elects to rely on the northerly MWD connections. The improvements include replacements of diesel-powered pumps with electric pumps previously identified in a 2016 RMWD Capital Improvement Project. As noted earlier, the District currently utilizes this infrastructure during SDCWA shutdowns; however, some of the facilities we use are older and not suitable for year-round use. The Plan for Service will outline the details of how we will provide service post-detachment.

Supply Reliability Study: This will be a component of the Plan for Services detailing how the reliability of the supply of water to our customers will be equivalent post-detachment than it is currently. This document provides extensive details on both SDCWA and MWD and how each agency deals with supply reliability.

POLICY/STRATEGIC PLAN KEY FOCUS AREA

Strategic Focus Area Two: Asset Management – by saving money on our largest operational cost, the District will be able to provide funding to our biggest challenge – replacing aging infrastructure.

Strategic Focus Area Four: Fiscal Responsibility – by saving money on our largest operational cost, the District will be able to avoid large rate increases – and perhaps provide a rate decrease – thereby stemming the recent decrease in water demand by the agricultural community. When water deliveries drop, the District must move more costs to fixed fees that impact all customers.

BOARD OPTIONS

The Board has several options:

1. Approve the Resolution of Application directing the General Manager to prepare and submit an application to San Diego LAFCO for the detachment of the District from the San Diego County Water Authority and annexation into the Eastern Municipal Water District and provide any and all additional or supplemental forms, data, information, plans and documentation as the San Diego Local Agency Formation Commission may request during the processing of the application.
2. Direct staff to make modifications to the Resolution of Application and supporting documents and bring them back to the Board for consideration at a future date.
3. Do not approve the Resolution of Application and direct staff to cease work on the process.

ENVIRONMENTAL

In accordance with California Code of Regulations, title 14, section 15320, the action before the Board is exempt from the California Environmental Quality Act, Pub. Resources Code, § 21000 et seq., because it consists of changes in the organization and reorganization of local governmental agencies where the changes do not change the geographical area in which previously existing powers are exercised.

STAFF RECOMMENDATION

Staff recommends Option 1. (Option 1 is exempt from CEQA review pursuant to California Code of Regulations, title 14, section 15320.)



Tom Kennedy, General Manager

December 3, 2019

RESOLUTION NO. 19-15

RESOLUTION OF THE BOARD OF DIRECTORS OF RAINBOW MUNICIPAL WATER DISTRICT AUTHORIZING THE GENERAL MANAGER TO PREPARE AND SUBMIT AN APPLICATION TO THE SAN DIEGO LOCAL AGENCY FORMATION COMMISSION TO DETACH FROM THE SAN DIEGO COUNTY WATER AUTHORITY AND ANNEX TO EASTERN MUNICIPAL WATER DISTRICT

WHEREAS, Rainbow Municipal Water District was established in 1953 and is organized under Section 71000 of the California Water Code; and

WHEREAS, Rainbow Municipal Water District is a special district that provides – among other services – water to the unincorporated communities of Rainbow, Bonsall, and portions of Vista, Oceanside, and Fallbrook; and

WHEREAS, Rainbow Municipal Water District is a member of the San Diego County Water Authority; and

WHEREAS, over the last 25 years, the San Diego County Water Authority which supplies water to individual water districts in San Diego County, has made major investments in new storage and treatment facilities located well south of the Rainbow Municipal Water District service areas; and

WHEREAS, these investments have increased the cost of water to customers of Rainbow Municipal Water District, adding several hundred dollars per acre foot to the cost of water for the customers of Rainbow Municipal Water District, many of whom are engaged in agricultural activities; and

WHEREAS, while most water districts in San Diego County rely entirely on San Diego County Water Authority pipelines for the water they distribute to their customers, Rainbow Municipal Water District has connections directly to the Metropolitan Water District of Southern California (MWD)'s pipelines; and

WHEREAS, Eastern Municipal Water District located in Riverside County is adjacent to Rainbow Municipal Water District, is a special district that also receives water supplies from Metropolitan Water District and provides retail water service to cities and special districts in Riverside County, and has consented to the possible annexation of Rainbow Municipal Water District; and

WHEREAS, Eastern Municipal Water District was in October of 2019 awarded a \$36.3 million grant from the State Water Resources Control Board which will improve groundwater quality and supplies and reduce its reliance on imported water supplies; and

WHEREAS, since 1954 Rainbow Municipal Water District has contributed over \$500 million to construct assets owned by San Diego County Water Authority, which assets will be retained by the San Diego County Water Authority and used for the benefit of its remaining member agencies; and

WHEREAS, if Rainbow Municipal Water District detaches from the San Diego County Water Authority, the San Diego County Water Authority will not have to spend the \$40 million budgeted to complete construction of the North County EPS pump stations to serve Rainbow Municipal Water District and Fallbrook Public Utility District; and

WHEREAS, Rainbow Municipal Water District's detachment from San Diego County Water Authority will lessen the North County area's demand for expanded water facilities and will permit the remaining member agencies of the San Diego County Water Authority to have increased reliability of supplies from San Diego County Water Authority in times of drought and reductions in imported water supplies; and

WHEREAS, the reliability of supplies from Eastern Municipal Water District to the Rainbow Municipal Water District will be equivalent to the supplies received from the San Diego County Water Authority, and

WHEREAS, the Rainbow Municipal Water District and the Fallbrook Public Utility District have entered into a Memorandum of Understanding which would allow Rainbow Municipal Water District to receive emergency supplies from the Fallbrook Public Utility District's Santa Margarita River Conjunctive Use Project that will serve the residents of Rainbow Municipal Water District in the very unlikely scenario where an earthquake or other emergency condition constricts supplies coming from Metropolitan Water District facilities in Riverside County, and

WHEREAS, the detachment of Rainbow Municipal Water District from the San Diego County Water Authority and annexation to Eastern Municipal Water District will be mutually beneficial in that the ratepayers of Rainbow Municipal Water District will obtain water supplies at a lower rate permitting the continuation of agricultural activities as well as general ratepayer reductions in costs while the remaining member agencies of the San Diego County Water Authority will be relieved of expenses of providing water supplies to the North County and will have greater reliability of water supplies in times of drought; and

WHEREAS, the detachment of Rainbow Municipal Water District from the San Diego County Water Authority is authorized by Section 45-11 of the California County Water Authority Act, the law governing the creation and existence of the San Diego County Water Authority; and

WHEREAS, the commencement of such a proceeding is initiated by an application to a Local Agency Formation Commission in accordance with the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000; and

WHEREAS, the Riverside Local Agency Formation Commission and the San Diego Local Agency Formation Commission have executed a memorandum of understanding dated October 24, 2019 by which San Diego Local Agency Formation Commission will undertake the processing of any application by Rainbow Municipal Water District to proceed with a reorganization involving modifications of spheres of influence, detachment from San Diego County Water Authority and annexation to Eastern Municipal Water District; and

WHEREAS, the process will require the preparation of various documents and the payments of filing fees and subsequent expenses,

NOW, THEREFORE, the Board of Directors resolves as follows:

1. The General Manager is authorized to prepare and submit to the San Diego Local Agency Formation Commission the application for the proposed reorganization and to provide any and all additional or supplemental forms, data, information, plans and documentation as the San Diego Local Agency Formation Commission staff may request and require from time to time during the processing of the application.
2. The General Manager is authorized to pay the filing fee to the San Diego Local Agency Formation Commission and to pay such additional sums as may be invoiced from the San Diego Local Agency Formation Commission for services rendered in the processing of the application.
3. The General Manager is authorized to coordinate his efforts with such resources as may be needed to process the application and to pay the invoices for the resources with whom he coordinates.
4. This proposal is to be made pursuant to Part 3 of the Cortese-Knox-Hertzberg Local Government Reorganization Act.
5. The nature of the proposal is a reorganization to detach Rainbow Municipal Water District from the San Diego County Water Authority and to annex the Rainbow Municipal Water District to Eastern Municipal Water District in Riverside County.
6. All property within the boundaries of the Rainbow Municipal Water District as it now exists shall be included, and the General Manager is to provide a legal description and map to be provided to the Local Agency Formation Commission.
7. The proposal suggests the following terms and conditions:
 - That pursuant to the express provisions of Section 45-11 of the County Water Authority Act which provide for detachments from a county water authority, the matter be submitted to a vote only by those electors residing within the boundaries of Rainbow Municipal Water District.
 - That pursuant to Section 45-11 of the County Water Authority Act that the taxable property within the excluded area shall continue to be taxable by the county water authority for the purpose of paying the bonded and other indebtedness of the county water authority outstanding or contracted for at the time of the exclusion and until the bonded or other indebtedness has been satisfied; provided further, that if the taxable property within the excluded area or any part thereof is, at the time of the exclusion, subject to special taxes levied or to be levied by the county water authority pursuant to the terms and conditions previously fixed under subdivision (c) or (d) of Section 10 for the annexation of the excluded area or part thereof to the county water authority, the taxable property within the excluded area or part thereof so subject to the special taxes shall continue to be taxable by the county water authority for the purpose of raising the aggregate sums to be raised by the levy of special taxes upon taxable property within the respective annexing areas pursuant to the terms and conditions for the annexation or annexations as so fixed and until the aggregate sums have been so raised by the special tax levies.

8. The reasons for the proposal are as follows:

- Rainbow Municipal Water District will be better positioned to provide water supplies to its customers at significantly lower rates;
- Rainbow Municipal Water District will be better positioned to provide water supplies to those within its boundaries who undertake agricultural activities, a major effort in support of the local economy.
- Rainbow Municipal Water District already receives water supplies from Metropolitan Water District which also supplies water to Eastern Municipal Water District as it does to San Diego County Water District.
- The detachment from San Diego County Water Authority will reduce both currently planned and future capital expenditures necessary to provide its water supplies to the North County area.
- The detachment from San Diego County Water Authority will also eliminate the need to share its reduced water supplies in times of drought conditions and permit the remaining member agencies to share the allocation that would otherwise be made to Rainbow Municipal Water District.

PASSED AND ADOPTED at a Regular meeting of the Board of Directors of Rainbow Municipal Water District held on the 3rd day of December 2019 by the following vote, to wit:

AYES:
NOES:
ABSENT:
ABSTAIN:

Helene Brazier, Board President

ATTEST:

Dawn Washburn, Board Secretary