

Murrieta Focused Municipal Service Review

LAFCO- 2019-11-3

Response to Comments

July 12, 2021

The following pages contain responses to all comments received through July 12, 2021 for the Murrieta Focused Municipal Service Review (FMSR) report dated December 10, 2020. Responses are for comments from members of the public, LAFCO, and affected public agencies that submitted comments.

A separate “Errata Document” will be published notating any corrections or clarification to the FMSR report deemed appropriate.

Additional comments to the FMSR report, the Response to Comments and the Errata Document (when published) will continue to be accepted for the public record and addressed.

Murrieta FMSR Comments - Response to Comments

Comment Submittal #1- Recv'd- 01/19/2021- Kathryn Elliot (email)

Pages 2 and 13 of the study state that the Study Area is "the portion of the City of Murrieta currently receiving water service from WMWD." That implies that undeveloped properties and those served by wells aren't actually in the Study Area.
Maps, esp Figure 2-1, show that the Study Area includes areas served by WMWD, EMWD, RCWD, and unserved areas (I assume that is what is shown in white, but please confirm)
Please clarify, in text, the extent of the study area so there is no confusion for residents.
Figure 3-1- At least two light blue parcels have already been developed and are receiving service - Santa Rosa Highlands on Jefferson and the Solera condos on Washington. Has the City had the opportunity to confirm that the maps are correct?
Figure 3-1- Why do some portions have no color? The satellite view shows that part of the uncolored area is already developed and part is not. How is/will water service to this area be provided? Is any water demand for this portion of the study area included in the demand analyses?

Response to Comment

All parcels within the boundaries as depicted on the study area map (Figure 1-1) are included in the analysis. The report on pages 2 and 13 will be clarified in the Errata Document.
Figure 2-1 has been revised and is posted on the LAFCO website for review. The revised map will be included in the Errata Document.
See previous response to comments regarding clarification of the the Study Area.
The City of Murrieta has received the report and all maps and has not provided comments. Note that the analysis includes all relevant data concerning the status of each parcel based on County Assessor data as noted for the base year. Any development that has occurred since that data date has been included in the growth projections utilized in the analysis.
Several large parcels in the study area have small portions that have been developed while the majority of the parcel is undeveloped. It was a judgement call as to how to treat these parcels. In general, because the existing demand is small compared to future potential, demand was included in future projections, but not existing.

Comment Submittal #2- Recv'd- 01/21-2021- MB Chapman (email)

Based on the report Rancho has the highest total cost of water for single family residents. Its cost is higher because Rancho will either assess an ad valorem tax on our property tax bill or add a water rate surcharge (equal to the ad valorem tax) to our monthly bill. The report says the decision to charge the ad valorem or the water rate surcharge will not be made until Rancho assumes ownership of the area. Either of these two options will cost homeowners more money for the same water.
The report also says that Rancho has the lowest cost for commercial development because Rancho has pipelines in the vicinity of the vacant parcels in west Murrieta. The developers will pay lower connection fees with Rancho. If Rancho becomes our water provider, and we are charged the ad valorem or a water rate surcharge, we will be subsidizing the developers.
Our city council needs to work with the water districts to find an equitable solution that does not financially damage homeowners while supporting growth in the west Murrieta area.

Response to Comment

Comment Noted. The decision to implement the Ad Valorem tax or rate surcharge would be a policy decision for RCWD.
Comment Noted. The decision to implement the Ad Valorem tax or rate surcharge and the applicability to new development would be a policy decision for RCWD
Comment Noted.

Comment Submittal #3- Recv'd- 01/22/2-021- Christine Rios (email)

The report says Rancho has the highest cost. Why should residents pay more for the same service we currently get from Western?
Does the entire study area have to change water systems or can the vacant parcels in the south be transferred to Rancho and the homes in the north be transferred to Eastern or stay with Western?
Are you going to send out this information to ALL the residents in Murrieta affected by this possible maneuver?

Response to Comment

The purpose of the analysis in part is to provide the information for each ratepayer to make their own assessment on how it will directly impact their own situation.
The analysis assumes all parcels within the study area would be subject to the same service provider. However, if any change were initiated by any of the service providers, it would be up to those service providers to make a policy decision regarding actual boundaries which may or may not be different than the study area. Any boundary change would have to go through the LAFCO application and adjudication process.
The report is located on the Riverside LAFCO website for viewing by the public. Additionally, each agency participating has been requested to place the report on their respective websites. A mailed notice to all property owners within the study area will be sent out several weeks prior to the public presentation once it is scheduled.

Murrieta FMSR Comments - Response to Comments

Comment Submittal #4- Recv'd- 01/23/2021- H Daniels (email)

Why does RCWD have a 30" water line in the middle of Western's service area?
With the report complete in April, 2020 why was the release delayed until December, 2020? I thought this was all resolved and we would stay with WMWD.
I am confused... What is the difference to residents if RCWD were to assume this area as financially BLENDED and not financially DISTINCT? How is that decided? Who decides if they do the ad valorum or surcharge? When? Why don't they have a plan?
Is the City still pushing RCWD and they assume they will get us so they don't have to develop a plan since the back door negotiations have already happened?
EMWD has a plan and it looks good to me. If we have to change lets go with EMWD.

Comment Submittal #5- Recv'd- 01/28/2021- Kathryn Elliot (email)

How were the different assumptions for daily indoor water usage (the amount that gets the least expensive water rates) taken into consideration? The text and appendix notes only refer to WMWD's 60 gallons/person/day but the other water district websites show only 55 gallons/person/day for RCWD and EMWD.
It appears that RCWD was assumed to use the 60 gallon budget figure that WMWD uses, a change which is significant for large families. Did RCWD provide information on how long this change (an 8% increase in the lower priced Tier 1 allotment) would remain in effect? Would it only be if the Study Area remains a distinct district, since the Santa Rosa district has the lower budget? What other policies would change if the Study Area were no longer a distinct district within RCWD? Would the higher "Pre & Post 2003 Annex" rates be applied to us?
Why was no increase in rates assumed for 3 years (FY 27/28 – FY 29/30) for EMWD and both RCWD scenarios (but only for the last 2 years for WMWD)? Why weren't consistent increases assumed for all 10 years? I see that EMWD does assume an increase in the fixed charges, (Table B-5, lines 227-235) and the commodity charges, (Table B-5, lines 268-273) for current EMWD customers but not for the Study Area.
Although most of the study area isn't subject to the Zone 8 pumping charge under WMWD, would customers subject to that charge also be subject to RCWD's energy charge? (\$0.06 in addition to the \$0.234 WMWD charges per HCF)
Based on what I read in Appendix B, it appears there will be a dramatic (more than 30%) decrease in water bill costs with EMWD once the Acquisition Balance is paid off in 12 years. Is this correct?

Comment Submittal #6- Recv'd- 01/29/2021- Denae Rios (email)

The study uses \$80,000 land value for a single- family residence in the study area and \$200,000 for commercial property. How were these figures determined? Please include your assumptions and the source of your information.

Response to Comment

The Murrieta area has a complicated history of water service. RCWD as it exists today was formed from two agencies, one north and one south of the historical Murrieta County Water District. These two agencies were connected along the most direct route through the Murrieta County Water District. When the Murrieta County Water District was integrated into the Western Service area, the result was RCWD transmission lines in the Western Service Area.
The April 30, 2020 report was a first draft for internal review by LAFCO and the agencies involved. Additional analysis was requested by all three water districts, and other corrections/modifications to the draft report were made during the next several months based on agency and LAFCO review prior to the release of the December 10, 2020 report to the public. No decision has been made on any change in service provider, and any change would have to be initiated by one of the public agencies. LAFCO has no authority to initiate a boundary change of this nature.
Maintaining the area distinct, or blending it with the Santa Rosa Division would be a policy decision for RCWD. RCWD has indicated that if they were to acquire the area to serve it, they would start as a distinct area, then perform a study to determine the economic feasibility of blending with the Santa Rosa Division. See P. 9, Table ES-1, Note (b), and P. 65 in the report. Application of the Ad Valorem tax or surcharge would also be a policy decision for RCWD. The "surcharge" scenario was developed to reflect an alternative to the Ad Valorem tax. See P. 9, Table ES-1, Note (c) in the report.
This is a question that should be directed to the City of Murrieta and RCWD. The consultant team and LAFCO are unaware of any "negotiations" taking place between the City and RCWD, thus there is nothing in the analysis that would reflect any unknown negotiations.
Comment Noted.

Response to Comment

The WMWD gpcd was established using existing customer consumption data for current conditions. The 55 gpcd goal by other agencies is separate from actual current conditions. During the execution of the study, all of the agencies agreed to use consistent assumptions for water use so that differing assumptions would not impact results.
The analysis is based on comparison using current demands not a prediction of future behavior and consumption. RCWD did not provide information as to how long a 60 gallons per capita per day (gpcd) budget for indoor tier water use would remain in effect. RCWD indicated the study area would remain financially distinct. RCWD provided no information on any alternative rate structure based on the Santa Rosa district, and this FMSR did not evaluate that alternative policy decision which is the responsibility of RCWD. The "Pre and Post 2003 Annex" rates do not apply to the Murrieta study area.
The size and timing of rate increases were determined so that the utility would collect sufficient revenues to pay expenses and build reserves to meet reserve criteria. If there was no rate increase projected in any given year, it is because a rate increase wasn't necessary to pay expenses and meet reserve criteria.
Under the RCWD Ownership Alternative, customers would not be subject to RCWD's energy charge, per RCWD's policy instruction.
Yes that is correct. Under the EMWD Ownership Scenario, projected water bills for residential customers would decrease after the Acquisition Balance is paid off. The amount of the projected decrease in water bills would depend on the water use of the individual customer.

Response to Comment

For this FMSR, land values were obtained from the City, for the 2,364 single-family residential water connections in the Study Area. An approximated average was used to develop an \$80,000 land value for use in the study. Land values only were used in the FMSR and building values were not used. These values are used only for the study. There was no available data to define the average land value for a commercial customer with a 2" water meter. The value of \$200,000 was proposed to the agencies and the City. After review of draft results of the FMSR with the agencies and the City, the conclusion reached by the Consultant Team was that this was a reasonable value for the purposes of this calculation.
--

Murrieta FMSR Comments - Response to Comments

Comment Submittal #7- Recv'd- 01/30/2021- Daphne Grigsby (email)

The following questions reference Table B-4g RCWD Scenario: Projected Total Water Cost Calculation which is a sample monthly water bill for a single-family residence. The exhibit lists the Tier 1 and Tier 2 rates as \$1.31and \$2.30 respectively for FY 20/21.
Several pages in the report reference using the Santa Rosa Division water billing rates for the study. Rancho's "Customer Guide and Rate Charges Effective July 1, 2020," shows both a "Standard" and "Pre & Post 2003 Annex" rate for Tiers 1 and 2 for Rancho's Santa Rosa Division. The "Pre & Post 2003 Annex" Tier 1 rate is double the "Standard" rate. The Tier 2 rate is also higher than the "Standard" rate.
The rates mentioned above and shown in Table B-4g for Tiers 1 and 2 appear to be the "Standard" rate. Table B-4g does not show the cost for "Pre & Post 2003 Annex" rates for Tiers 1 and 2.
What is meant by the term "Pre & Post 2003 Annex" rates?
What is the purpose of the "Pre & Post 2003 Annex" billing rates?
What properties do these rates apply to?
Will the "Pre & Post 2003 Annex" rates be applied to properties in the study area if the area operates as a distinct financial district?
Will the "Pre & Post 2003 Annex" rates apply if the study area is integrated into the Santa Rosa Division?
Why doesn't the sample monthly water bill include both the "Standard" and the "Pre & Post 2003 Annex" rates so that the study area residents have a complete picture of their potential total water cost?
Will the ratepayers in Western's higher-pressure zone, that currently pay Western's pumping charge, pay additional Rancho energy charges?

Comment Submittal #8- Recv'd- 01/30/2021- Louise B (email)

The report states that Rancho uses the ad valorem to help finance capital expenses including paying debt service. The report also acknowledges that Rancho's connection fees for new development are lower because the ad valorem taxes are used to pay for water system infrastructure.
The report "...identifies potential system improvements for existing and future customers separately to ensure that 'growth pays for growth,' which ensures neither customer types [residential and commercial] subsidize the other."
If an ad valorem tax is assessed on the west Murrieta study area, it would appear that the property owners and private well owners would help underwrite new development. This seems in conflict to the "growth pays for growth" statement in the study.
Please explain why residents should bear this burden through an ad valorem tax?

Comment Submittal #9- Recv'd- 02/1/2021- Kathryn Elliot (email)

I had some questions about the surcharge that RCWD proposes charging if they cannot charge the ad valorem to the Study Area.
What rate of property value increase was assumed for future calculation of ad valorem revenue for the area as a whole? I assume that it exceeds both the Proposition 13 2% limit and the 2.5% inflation value used elsewhere since land and home prices have gone up significantly.

Response to Comment

Comment Noted. Answers to related questions follow.
Comment Noted. Answers to related questions follow.
Comment Noted. Answers to related questions follow.
The Murrieta study area is not subject to the "Pre and Post 2003 Annex" rates.
The Murrieta study area is not subject to the "Pre and Post 2003 Annex" rates.
The Murrieta study area is not subject to the "Pre and Post 2003 Annex" rates.
The Murrieta study area is not subject to the "Pre and Post 2003 Annex" rates.
The Murrieta study area is not subject to the "Pre and Post 2003 Annex" rates.
The Murrieta study area is not subject to the Pre and Post 2003 Annex rates. Therefore, a comparison is not applicable.
No. Under the RCWD Ownership Scenario, ratepayers in Western's higher-pressure zone would not pay additional Rancho energy charges.

Response to Comment

Comment Noted. This is the current practice for RCWD. Application to the study area would be a policy decision for RCWD.
Comment Noted.
Comment Noted.
The analysis makes no recommendation nor conclusion concerning rate setting or implementation of an Ad Valorem tax by any of the utilities.

Response to Comment

Comment Noted. Questions addressed below.
A 2.5% annual increase in <u>land</u> values was used in calculations of future ad valorem revenue. Note that only land values are used, not buildings and land.

Murrieta FMSR Comments - Response to Comments

My understanding of Section 8.3.2.3 “Water Rate Surcharge” is that as the overall land value increases, the revenue due to the \$0.50/\$100 land value ad valorem increases. This means that the revenue raised from a surcharge would need to increase as well. Is that correct? To achieve this revenue increase the % of the water bill that would be added as a surcharge would increase up from the original 51.26% as well. Is this understanding correct?	Correct, the revenue generated from the surcharge would increase. The surcharge percentage could change from year to year, depending on the overall amount of ad valorem tax that would have been collected.
In Table B-4, row 417, the RCWD rate surcharge % for 2019/20 is estimated to be 51.26%. Row 418 refers to a \$ Rate Surcharge (55.42% of FY 19/20 Monthly Bill, increased for inflation in Subsequent Yrs). Please explain this note and that different %.	The 55.42% is a typo. The correct value should be 51.26%. This will be clarified in the Errata Document
The ad valorem is mentioned as a key parameter/part of the key assumptions on pages 70 and 71. Why isn't the surcharge mentioned there as well? Is there something different about it?	The base assumption for the analysis is that RCWD would apply the Ad Valorem tax since it is an existing revenue source. However because RCWD did not provide a policy decision for applying it, the surcharge scenario was developed to reflect the revenue requirements to offset the Ad Valorem tax. Although not specifically a "key parameter" it will be added in the Errata Document referencing pages 70 and 71 to ensure clarity.

Comment Submittal #10- Recv'd- 2/07/2021- Daphne Grigsby (email)

The study states that if Rancho assumes ownership of the study area, they will either assess an ad valorem tax on all property owners or add a water rate surcharge to the monthly bill. The report describes the water rate surcharge as revenue neutral to Rancho – meaning it will “recover the same amount of revenue as the ad valorem tax would have collected.”
How is the water rate surcharge revenue neutral to Rancho? The ad valorem tax will change based on the County Assessor’s assessment of land value or the Rancho Board decides to change the \$0.50 per year per \$100 assessed value of land. Will the water rate surcharge be adjusted each year?
Our monthly water bill is variable based on water usage. Is there a minimum surcharge amount to be added to the bill, regardless of the amount of the monthly water bill?
If the surcharge results in collecting more than the revenue neutral amount for the year will the customer be refunded or credited the overage?
There are two percentages referred to for the surcharge. Line 417 on Table B-4g “RCWD Scenario: Projected Total Water Cost Calculation” and the text of the study says that the surcharge would start at 51.26%, but line 418 states “\$ Rate Surcharge (55.42% of FY 19/20 Monthly Bill, Increased for Inflation in Subsequent Years.)” What is the meaning of the 55.42%?
Table 8-9 FY “19/20 RCWD Santa Rosa Division Rate Schedule” and Line 199 on Table B-4a “RCWD Scenario: Projected Operating Statement: Sources of Funds” both state that RCWD’s energy charges are not expected to be applicable for the majority of the study area. What part of the study area is subject to them? Will residents currently paying Western’s pumping charge be subject to Rancho’s energy charge?
If the water rate surcharge is only applied on retail customers’ bills won’t retail customers be paying more than our fair share since the amount to be collected will be spread among a smaller number of properties?

Comment Submittal #11- Recv'd- 2/18/21- Annette Bell (email)

If we are annexed by Rancho, they will add an ad valorem tax on our property taxes or a surcharge on our monthly water bill, and they can’t tell us which one it will be until after they take ownership. Personally, I don’t like either of these options as it will cost my family more money for the same water we are receiving from Western without either of these extra costs.
A second thing that bothers me about Rancho is that they will not decide if we will be a separate service area, as we are with Western, or if we will be blended with their Santa Rosa District. Again, Rancho says it will not make this decision until after they take ownership.

Response to Comment

Comment Noted.
The surcharge is revenue neutral. It is calculated to generate the same amount of revenue as the ad valorem tax would have generated. The water rate surcharge will be adjusted every year.
No, there is not a minimum surcharge added to customer bills. The surcharge is added as a percentage of the entire water bill.
The analysis does not assume any refunds. Refunds would be a policy decision for RCWD under this scenario.
The 55.42% is a typo. The correct value should be 51.26%. This will be clarified in the Errata Document
RCWD’s energy charge would not be applicable to the Study Area under the RCWD Ownership Scenario. This will be addressed in the Errata Document to ensure clarity.
Theoretically actual retail customers would be paying for parcels not receiving retail water service under the analysis model. However, actual surcharge rate structure, and how it is applied, would be a policy decision for RCWD.

Response to Comment

Comment Noted.
Comment Noted.

Murrieta FMSR Comments - Response to Comments

The fact that Rancho cannot definitively state how it will treat us, after participating in a nearly 2-year study, raises a lot of questions in my mind about their ability to operate the area in a manner that is beneficial to the residents.
A third issue that I do not like is that regardless of whether we remain separate or we are blended into Rancho's Santa Rosa District, under Rancho ownership, we will not have a Director from this area on Rancho's Board. Rancho's Board members are elected at-large and currently none of the seven Board members reside in west Murrieta or in Rancho's nearby Santa Rosa District.
With Western we have a local representative. I believe Eastern operates similarly to Western in this regard. I do not want to give up local representation.
Can Rancho explain how we will receive the appropriate level of attention and representation under their ownership?

Comment Submittal #12- Recv'd- 2/22/21- Polly Filanc (email)

I, Polly Jane Filanc, being a member of the district vote to stay with Western Municipal WD. Their service has been superior for the last umpteen years.
--

Comment Submittal #13- Recv'd- 2/23/21- Kathryn Elliot (email)

I wanted to let you know that some of the maps in the study are still causing confusion. I know I brought this up with the RFP etc. but the Study Area/Service Area Maps aren't clear. Perhaps the City of Murrieta and the Water Districts can help clarify who serves what area from a <u>retail customer</u> (not wholesaler and not sewer) perspective so we can avoid the confusion.
Also, as I mentioned in a prior comment, the "blank" area in the south part of the study area (West of Jefferson) is causing questions. What is going on with this area? Aren't there some businesses there getting water? Who are they getting it from? Having an area without any color seems odd.
In reviewing the Study I found a few places where I think there are typos that are more than just grammatical. I have listed the ones that I recorded here: Pages 57 & 61- WMWD and EMWD show \$5m investments needed for fire flow improvements but RCWD does not. Why not? Their total \$ for legacy improvements reflects the \$5m.
Page 93- The footnote numbers in Table 8-15 aren't shown above.
Page 102- I assume the footnote in Table 8-19 is EMWD, not RCWD
Page 103- Why does Figure 8-11 only show interest and standby charge income? The revenue total is similar to other ownership scenarios...
Page 106- The second sentence references the Acquisition Balance shown in Table 8-22. But 8-22 shows the project share of EMWD water system cost. Should the reference be 8-24?
App B, Pg 40, Row 541- This is Note 6 but no reference in the table above references Note 6. Row 528, legacy pipe improvements, references Note 5 but Note 5 refers to a reservoir, not legacy pipes. I therefore assume that Note 6 refers to Row 528. Row 527 has no note shown so perhaps Note 6 belongs there.

Comment Submittal #14- Recv'd- 2/23/21- R. Adams (email)

I am a longtime resident in Murrieta. I am concerned about our wells and having a safe water system. I have some question for you.
Can someone explain what is meant by the legacy historic downtown improvements and the fire flow upgrades shown throughout the area - what does the \$5m include?
What is up with this 3rd well? It is referred to but it's inconsistent. \$5m in note for WMWD buried in an appendix a few times but not shown in the doc. What is the significance of the 3rd well?

Comment Noted.
Comment Noted.
Comment Noted.
Comment Noted. Question should be addressed directly to RCWD.

Response to Comment

Comment Noted.

Response to Comment

Maps have been revised to clarify the retail service areas of each water district and are posted on the LAFCO website, and will be included in the Errata Document.
The scope was to evaluate detachment of the WMWD service are only, not detachment of RCWD service areas.
Comment Noted. Comments are addressed below.
Correction noted. RCWD fire flow was included in the financial analysis for total CIP. An appropriate table for RCWD Fire Flow will be added in the Errata Document
This will be clarified in the Errata Document
Correct, the footnote should read EMWD instead RCWD. This will be clarified in the Errata Document
Figure 8-11 is missing some details and will be corrected in the Errata Document.
The reference should be to Table 8-23. This will be clarified in the Errata Document.
Table Notes 5 and 6 should be deleted. In the Projected Schedule Column of Table B-5f, references to Notes 3 and 5 should be deleted. This will be clarified in the Errata Document.

Response to Comment

Comment Noted. Answers to questions follow below.
The replacement and upsizing of older/undersized pipeline, as well as system looping to meet current fire flow standards.
The 3rd well was a stated desire by WMWD, but would need further evaluation. The cost of a 3rd well was similar to other/offsetting supplies.

Murrieta FMSR Comments - Response to Comments

How do the different districts approach on groundwater compare? It matters to well owners.	Groundwater approach is covered in the policy decisions portion of the report, Section 3 on Page 25. Future water supplies in the area are subject to change and can't be predicted with certainty. Therefore, simplifying assumptions had to be made for this study. As explained in Section 3.1, 1,452 AF/year of local groundwater was agreed upon as a historically sustainable value. For the purposes of this study, all supply above this amount was assumed to be imported water. It should be noted that all agencies expressed the intent to use the maximum amount of local groundwater possible for future supplies in the study area. However because there is some dispute about the maximum value, the assumption described above was utilized and agreed upon.
Do the various ways of funding the pipes in undeveloped area impact current residents?	No, the new water distribution pipes in undeveloped areas will be paid for by the developer, Assessment Districts, or Community Facilities Districts.
I've heard that the AV is used to pay down RCWD debt for pipes they built years ago. Do they have more debt than the other 2 agencies? How does their debt compares between the 3?	The scope of the FMSR did not include comparing the amount of debt held by the three water utilities.
Both WMWD and RCWD assume they have to borrow the \$5m for legacy improvements. (30 yrs at 4% interest plus fees!) But I don't see EMWD assuming any debt service. Why not?	EMWD has proposed a financially integrated approach. The Murrieta Study Area would not be financially distinct, it would be financially blended with the rest of EMWD's service area. Because of EMWD's financially integrated approach, it was not necessary to know whether EMWD would issue debt to cover the cost of the legacy improvements. EMWD would use the rate revenue generated by the EMWD's rates to pay for all operating expenses and the cost of the legacy improvements, regardless of whether debt is issued.

Comment Submittal #15- Recv'd- 2/25/21- Rancho California Water District (letter)

Please see the attached comment letter from Rancho regarding the Final Report approved by our Board today in order to meet your requested March 1, 2021 deadline for comments by the participating agencies. (Attached)

Response to Comment

See attached Comment Letter and responses to comments attached thereto.

Comment Submittal #16- Recv'd- 2/26/21- Brian Bielatowicz (email)

In response the Murrieta focused service review, without doubt I support the transition to RCWD. The infrastructure is already in place with RCWD and has excess capacity. This ultimately reduces the impact to the environment required for any other service provider.

We understand there is availability of reclaimed infrastructure, not available in WMWD, less negative impacts on domestic water supply.

As a former Murrieta resident, the service area is physically separated from the rest of Western's District area by a great distance, response times in emergencies cannot compare to RCWD who has a local presence. This will play into lower overall cost for water and connections for customers.

Lack of WMWD infrastructure stifling industrial development severely needed in Murrieta, no plans to provide.

Study notes that fire protection is substandard, significant system upgrades would be necessary to provide required fire flow. Existing RCWD lines have ability to provide immediately. This is a public safety issue.

Its time for WMWD to give up this area as it is the right thing to do and is hindering progress. Thank you for your consideration to the forgoing.

Response to Comment

Comment Noted.

Comment Noted.

WMWD has provided emergency service to the area historically, and there have been no demonstrated history of that concern.

WMWD has not provided any information stating that they will not provide the necessary infrastructure to support development. The financial analysis quantifies the costs for future infrastructure regardless of the provider.

The analysis includes the costs for upgrades necessary for meeting all/CURRENT fire flow requirements. RCWD/ALL AGENCIES have agreed that those costs are necessary and upgrades will be necessary to meet fire flow requirements. It is speculative to assume that RCWD can meet fire flow requirements immediately. This is an issue of small pipes, regardless of agency.

Comment Noted.

Comment Submittal #17- Recv'd- 2/26/21- Metropolitan Water District of So. Cal. (letter)

The Metropolitan Water District of Southern California is pleased to submit the attached comments for consideration by the Riverside Local Agency Formation Commission in the above-referenced matter. We appreciate the opportunity to comment and look forward to working with your agency. (Attached)

Response to Comment

See attached Comment Letter and responses to comments attached thereto.

Murrieta FMSR Comments - Response to Comments

Comment Submittal #18- Recv'd- 2/26/21- Eastern Municipal Water District (letter)

Comments submitted by letter. (attached)

Comment Submittal #19- Recv'd- 2/27/21- Sherrie Munroe (email)

Thank you for taking public comments on the West Yost study for the Murrieta Service Area of WMWD District. I am a 33 year resident of the City of Murrieta. I have supported the investment in this study since it's inception, have attended every community meeting on the subject, spoken to residents and developers alike, and attended all water district board meetings when the subject was on agenda. I've also read and absorbed the full report.

My primary issue with the existing Murrieta Service Area is it's inability to meet the needs of the Service Area. The District has neither the capacity nor the infrastructure to not only meet the demands of Murrieta's General Plan buildout condition, but it's needs as a city today.

Page 41 of the report states that an additional 3.62 million gallons of storage are needed to support the city's water supply demands, and also states that the ability to provide that storage is near impossible.

Additionally, Section 5.1.1.3 goes on to state that the maximum velocity criteria are violated now and under build-out. What that means under an extreme fire condition is broken pipelines; no water getting to the hydrants. That's what happens under high velocity conditions.

Significant upgrades are required, as identified on figure 5.1, to provide adequate fire protection to the city.

Lastly, Section 5.1.1.5 summarizes that "the existing distribution system is unequipped to handle even current fire flow values". While it is noted that these are "primarily small diameter legacy pipelines", I'm sure the residents relying on those pipes for fire flow would have concerns. They certainly should.

This is, and always has been first and foremost a life / safety issue for me as a resident. We live in a wildfire susceptible area, the ability to provide reliable fire protection for the safety of our residents and first responders should be a major priority. For this reason, RCWD, who has both excess capacity and existing infrastructure within the city (as stated in the report) should be the only consideration for this service area. Especially since their comment letter submitted 2-25-21 rectifies and corrects the previous inaccurate financial impacts to customers identified in the report.

Additionally, the following factors should be given high consideration:

Distance from District headquarters in the event of an emergency

Environmental impacts to community from construction of multiple parallel distribution lines

Lower overall cost for water supply and connections for customers

Availability of reclaimed water supply to further reduce the demands on our domestic water supply in drought conditions.

Ability to provide needed development in the city's southwest corridor

LAFCO needs to take all of these factors into consideration, and provide clear and decisive direction. Residents need to have a solution that protects them both today and long term. It is clear from the report that the existing service provider cannot meet our needs without significant upgrades, and our collective safety should not depend on some possible future improvements. This needs to be addressed and resolved now.

Response to Comment

See attached Comment Letter and responses to comments attached thereto.

Response to Comment

Comment Noted.

Comment Noted.

There is no reference in the study that states that "the ability to provide the storage is nearly impossible". In fact, on P. 41, a specific location has been identified to install the additional storage capacity.

The study does not state that velocity criteria are violated "now", on the contrary the analysis states that no deficiencies exist now. The analysis clearly acknowledges in Section 5.1.1.3 that improvements to the existing pipelines will be necessary to support of future development to build out.

Comment Noted.

Comment Noted. The analysis provides for all upgrades necessary for the existing systems, and future infrastructure to meet all fire flow requirements.

Comment Noted.

Comment Noted.

Comment Noted.

Comment Noted.

Comment Noted.

Comment Noted.

Comment Noted.

The responsibility of any current deficiencies or service issues are the responsibility of the service provider and not LAFCO. LAFCO has no authority to initiate a change to a service provider. The purpose of the study is to provide information to all the service providers, the city and the public concerning future service provision within the study area. Any change to a service provider requires an application from another public agency to LAFCO for consideration.

Murrieta FMSR Comments - Response to Comments

Comment Submittal #20- Recv'd- 2/28/21- Christine Rios (email)

I would like to make a comment about how Rancho Water District plans to run the study area. The report shows that Rancho will not make a decision on how to operate the area until after they have experience operating the system. That means that they will decide LATER whether to keep the area separate (distinct) or integrate it. Under either scenario (distinct or Integrated) Rancho is the most expensive option for residents.
Rancho will either ad a surcharge on to our water bills or an ad-valorem assessment on our tax bill. Realistically, Rancho would want an ad valorem because it can generate more income for them to help pay down their debt and for new development.
If Rancho is awarded the contract they will decide to financially integrate the study area and then collect ad valorem from customers who use their water or well water.
Why would we, as residents, want to roll the dice with a company that won't be up front about the cost of water until AFTER they acquire the study area?
The scenarios presented in LAFCO's study show that both Western and Eastern Water Districts would be more financially friendly to the residents in the study area.

Comment Submittal #21- Recv'd- 2/28/21- Elizabeth Chavez (email)

I have a comment about some information I found in the report. According to the study's information on the Key Parameters Table ES-1 (also Table 8-26) and Section 10.0 called Determinations, I saw that Rancho could result in higher costs to residents. I am concerned about this. If residents have to pay more, that affects family finances.
The report showed that Eastern could result in lower water costs which would help our family budgets.
Given that information, along with other factors shown in the study, Eastern may be the water district that could solve these water issues.

Comment Submittal #22- Recv'd- 2/28/21- Barbara Ankele (email)

I have a question regarding Figure 3-1 "Study Area with Existing Private Wells". The assumptions regarding future service do not seem to make sense. As an example: Definitions on the map: purple (private wells within 1000 ft of pipe/will connect), pink (private wells/will not connect) and blue (undeveloped land/will connect).
Area: South Murrieta Business Corridor (Figure C-2 Focus Areas 2035 General Plan Map)
Zoning: Business Park and Innovation (Figure C-1 Land Use 2035 General Plan Map)
Why did the study assume that, in a Business Park/Innovation area, the pink parcels, surrounded by purple and blue parcels, would NOT connect to water service?

Comment Submittal #23- Recv'd- 3/1/21- Kay Prior (email)

The study also says that Rancho uses the ad valorem tax they collect on customers' property tax bills to help finance capital expenses and that Rancho's connection fees for new development are lower because the ad valorem tax is used to pay for water system infrastructure. If an ad valorem tax is assessed, it appears that homeowners would be helping to underwrite new development.
This seems to be in conflict with the consultant's statement in the report that says "growth pays for growth." Can you explain to me why residents should bear this burden through an ad valorem tax?

Response to Comment

Comment Noted.
Comment Noted.
This scenario would be subject to a policy decision by RCWD. RCWD has not provided any information regarding this scenario.
Comment Noted.
Comment Noted.

Response to Comment

Comment Noted.
Comment Noted.
Comment Noted.

Response to Comment

Comment Noted.
Comment Noted.
Comment Noted.
Comment Noted.
Pink parcels do connect.

Response to Comment

Comment Noted.
The analysis makes no recommendation nor conclusion concerning rate setting or implementation of an Ad Valorem tax by any of the utilities. Those decisions are all policy decisions to be made by the specific agency.

Murrieta FMSR Comments - Response to Comments

Comment Submittal #24- Recv'd- 3/1/21- Denae Rios (email)

As a follow up to my last question about land value for single family residences and commercial property: Table 4g footnote #3 says “\$80,000 is used for an example land value for single family residences based on qualitative review of assessor data provided by the City of Murrieta”. I would have expected a “quantitative” calculation to determine the number. So could you please explain what a “qualitative review” is?

Comment Submittal #25- Recv'd- 3/1/221- Maria Harkins (email)

I have questions about Rancho's ad valorem tax and water rate surcharge.

It was stated in the study that Rancho will either add an assessment to our property tax bill (the ad valorem tax) or will add a water rate surcharge to our monthly water bill. It said the surcharge will be equal to the amount that would have been collected from the ad valorem tax. So it looks like we would pay more in property taxes regardless of the amount of water we use or don't use. But then it talks about putting a surcharge on the water bill, so then the amount of water we use affects the amount that is collected.

What if we conserve even more? Does that mean that they will raise the surcharge percentage so they can collect what they would have collected in ad valorem?

My family is very concerned about this added expense.

Comment Submittal #26- Recv'd- 3/9/21- Maria Harkins (email)

In further reading the report I see that Eastern will lower residential rates by a few dollars based on how they calculate their Fixed Costs on the monthly water bill. Based on the information in the study, it further looks like they have a plan to lower residential water bills in the future (about 12 years) once infrastructure improvements are paid for. I found this on page 102.

Given the information in the study, Eastern is the least expensive alternative for residents, gets done what needs to be done and should be given serious consideration for becoming our new water district.

Comment Submittal #27- Recv'd- 3/29/21- Annette Bell (email)

Western looks like it is in the middle for future costs for families. It is not the most expensive, but it is also not the least expensive going forward.

So, keeping things the same does not result in any savings for residents, given all of the things that need to be done in the area.

It looks like Eastern can get it done and does not financially harm the families in the process.

Comment Submittal #28- Recv'd- 3/29/21- Christine Rios (email)

I have more questions about Rancho's water rate surcharge and ad valorem. The report says if Rancho assumes ownership of Western's west Murrieta area, they will either assess an ad valorem tax on our property taxes or add a water rate surcharge to our monthly water bill. It states the water rate surcharge will collect the same amount the ad valorem would have collected.

1. The amount collected each year through ad valorem typically increases due to the increases in land value. Will the water rate surcharge be increased every year to account for the corresponding increase in ad valorem?

Response to Comment

The assessors data did not differentiate whether parcels are residential or commercial. Therefore, a quantitative calculation was not possible, given our scope. The term "qualitative review" was used to describe the methodology that required professional judgement, in addition to calculations.

Response to Comment

Comment Noted.

Comment Noted. The water surcharge scenario was developed since RCWD has provided a policy decision regarding implementing the Ad Valorem tax. The model reflects one or the other, but not both at the same time.

If RCWD implements a policy decision to utilize the rate surcharge, any specifics of how the surcharge is applied would be a policy decision for RCWD.

Comment Noted.

Response to Comment

Comment Noted.

Comment Noted.

Response to Comment

Comment Noted.

Comment Noted.

Comment Noted.

Response to Comment

Comment Noted.

The model assumes an annual increase in the revenue collected from the water rate surcharge over the projection period. Any increase of the water rate surcharge would be a policy decision for RCWD to determine.

Murrieta FMSR Comments - Response to Comments

2. The ad valorem collects a fixed amount for the tax year. The water rate surcharge collects a different amount depending on water usage. Will there be an accounting for each customer at the end of the year comparing the amount collected through the rate surcharge vs. what would have been collected through ad valorem?	Any detailed accounting or development of comparative data would be a policy decision for RCWD. RCWD has not provided any information regarding a comparative annual analysis per customer.
3. If the water rate surcharge collects more than the amount that would have been collected through the ad valorem in any given year, will the customer be refunded the excess amount collected from the surcharge for that year?	Any refund based on an analysis of water rate surcharge versus Ad-Valorem would be a policy decision for RCWD. RCWD has not provided any information regarding refunds based on such an analysis.
4. If the answer to #3 is "no," then what will Rancho do to maintain the "revenue neutral" aspect of these charges?	This scenario would be subject to a policy decision by RCWD. RCWD has not provided any information regarding this scenario.
Comment Submittal #29- Recv'd- 3/31/21- Kathryn Elliot (email)	
P. 21 On Figure 2-2, where is the existing pressure reducing valve (PRV)?	Figure 2-2 has been revised to show the pressure reducing valve and will be included in the Erratta Document.
P. 21 Is the existing excess storage capacity at the Grizzly Ridge Reservoir site available to meet the CURRENT storage needs for the entire service area, even in the lower pressure zone? If not, what would it cost to make it available to provide current customers in the lower pressure area with that additional storage?	Storage for the lower pressure zone cannot be provided at the Grizzly Ridge site, because the elevation is incorrect and there is no way to provide hydraulic control to the lower pressure zone. Pressure Reducing Valves can supply pressure support for limited areas, but cannot provide the volume of storage needed for the entire zone.
P. 44 What portion of the additional build out storage that RCWD would need will be funded by current customers, by developers, and by future customers of the Study Area?	Future infrastructure would be funded by future development or conversion of existing customers to RCWD's system. Future RCWD customers would similarly pay.
P. 46 What are the implications of the 2nd paragraph - RCWD hydraulic deficiencies? Is it only the pipes near the proposed Adams/Kalmia Interconnection?	That is correct. Only the pipes near the Adams/Kalmia interconnection.
P. 46 If it is elsewhere, why is RCWD's distribution system not requiring improvements to address these minor pipeline deficiencies? Is it valid to assume at build-out, where demand is assumed to be 80% higher than present demand, that these deficiencies would remain minor? If so, why?	Under existing status quo conditions, there are minor pipeline violations of design criteria in the RCWD system. They do not impact operations, and they are acceptable to RCWD. With the addition of the existing and potential future Study Area flows, the design criteria violations remain minor because the existing and future Study Area flows are small compared to the RCWD flows.
P. 55 What does "addressing storage needs through payment of RCWD connection fee" mean? Would developer connection fees be sufficient to pay for Murrieta's part of the new storage RCWD has planned?	"addressing storage needs through payment of an RCWD connection fee" means that existing customers would pay RCWD's connection fee, and RCWD would provide the storage needs for existing development. This is a policy decision by RCWD. The scope of work for the FSMR did not include an analysis of whether developer connection fees would be sufficient to pay for Murrieta's part of the new storage RCWD has planned.
P. 55 Why is there no table or cost listed for the connection tie-in that RCWD will require at Adams/Kalmia?	It is included in the pipeline costs.
P. 64/66 On page 66, RCWD AV is used to fund capital improvements (including debt service). However Table 7-1 on page 64 does not show this. Why is it not shown?	Clarification to Table 7-1 is included will be included in the Errata Document.
P. 81 WMWD needs additional storage at build out, but using the excess capacity in the Grizzly Ridge tank means that the storage isn't needed for current customers. However, Table 8-8 shows that current customers are expected to pay \$4.6m of the \$8.3m cost for this new storage, and \$2.3m of the \$4.2m in new pipelines needed for the storage tank. Future development will only pay \$3.7m and \$1.9m, respectively. Similarly, why are current customers paying the full cost for EMWD supply improvements when the current connection is sufficient for our demand? Why are current customers subsidizing growth, violating the principle of "growth pays for growth"?	Excess storage at Grizzly Ridge cannot be used for the lower pressure zone. Storage is required in the lower pressure zone under existing conditions. Regarding the cost of supply improvements through EMWD, Table 8-8 shows that the cost of \$5.379 M is allocated entirely to future development. Note 5 in Table 8-8 states "WMWD would fund the project and incorporate the cost in it's connection fee. Connection fee revenues, over time, would pay for the project.
P. 93 "RCWD anticipates requiring existing Murrieta Study Area customers to buy into RCWD facilities, including storage facilities... The buy-in eliminates the need to separately build additional reservoir storage."	Comment Noted.
P. 93 Since additional storage is almost entirely needed for future customer demand, why are current customers subsidizing growth, violating the principle of "growth pays for growth"?	It is correct that the existing storage deficit is smaller than the future storage deficit. RCWD has sufficient existing storage to offset the storage deficit in the Study Area. RCWD's policy direction for the evaluation is that: 1) Existing customers pay for their storage deficit by paying RCWD's Connection Fee, which allows them to access existing excess capacity in RCWD's system. 2) Future development pays for their storage needs by paying RCWD's Connection Fee. 3) RCWD is responsible for constructing sufficient storage to serve the future needs of the Study Area.
P. 105 EMWD estimates that the Study Area's share of a new Hunter Storage Tank will be \$4.1m. Only \$1.8m will be funded by new customers but the Acquisition Balance (which needs to be paid by current customers over ~12 years) includes \$2.25m for the tank, even though it is scarcely needed for current customer demand.	Comment Noted.

Murrieta FMSR Comments - Response to Comments

P. 105 Similarly, why are current customers paying the full cost for EMWD supply improvements when the current connection is sufficient for our demand? Doesn't this violate the principle of "growth pays for growth"?
P. 112 "RCWD lower connection fees acknowledge that AV tax revenues are also used to pay for water system infrastructure."
P. 112 Once again it appears that current property owners subsidize new development since RCWD can lower connection fees for new development because current property owners underwrite a portion of those connection fees through payment of Ad Valorem. In fact, current customers don't actually need to use the excess capacity in RCWD's stranded asset pipelines that run through and around Western's service area. How is this not violating the agreement that "growth pays for growth"?

Comment Submittal #30- Recv'd- 4/5/21- Chrisitne Rios (email)

I have questions about Rancho's water rate surcharge and ad valorem. The report says if Rancho assumes ownership of Western's west Murrieta area, they will either assess an ad valorem tax on our property taxes or add a water rate surcharge to our monthly water bill. It states the water rate surcharge will collect the same amount the ad valorem would have collected.
1. The amount collected each year through ad valorem typically increases due to increases in land value. Will the water rate surcharge be increased every year to account for the corresponding increase in ad valorem?
2. The ad valorem collects a fixed amount for the tax year. The water rate surcharge collects a different amount depending on water usage. Will there be an accounting for each customer at the end of the year comparing the amount collected through the rate surcharge vs. what would have been collected through ad valorem?
3. If the water rate surcharge collects more than the amount that would have been collected through the ad valorem in any given year, will the customer be refunded the excess amount collected from the surcharge for that year?
4. If the answer to #3 is no, then what will Rancho do to maintain the "revenue neutral" aspect of these charges?

Comment Submittal #31- Recv'd- 5/3/21- Kathryn Elliot (email)

As the west side approaches buildout, the water demand from new customers is likely to far exceed the increased capacity from the wells. As a result, a higher % of MWD water will be needed. How was this considered in the Study?

Table 8-23 on page 105 shows that the cost of Supply Improvements Through EMWD is allocated entirely to future development. Note 3 in Table 8-23 says "the portion of the project cost that benefits existing connections would be included in the Acquisition Balance. There is no cost noted in the Acquisition Balance in Table 8-23, therefore there is no cost allocated to existing customers.
Comment Noted.
Comment noted. The analysis makes no recommendation nor conclusion concerning rate setting or implementation of an Ad Valorem tax by any of the utilities. These are policy decisions to be made by each agency.

Response to Comment

See response to Comment #28 (Duplicate Question)
See response to Comment #28 (Duplicate Question)
See response to Comment #28 (Duplicate Question)
See response to Comment #28 (Duplicate Question)
See response to Comment #28 (Duplicate Question)

Response to Comment

Future water supplies in the area are subject to change and can't be predicted with certainty. Therefore, simplifying assumptions had to be made for this study. As explained in Section 3.1, 1,452 AF/year of local groundwater was agreed upon as a historically sustainable value. For the purposes of this study, all supply above this amount was assumed to be imported water. It should be noted that all agencies expressed the intent to use the maximum amount of local groundwater possible for future supplies in the study area. However because there is some dispute about the maximum value, the assumption described above was utilized and agreed upon. Thus, in all three of the Ownership Scenarios, the volume of locally produced groundwater was held constant at 1,452 acre-feet per year. The increased system wide water demands resulting from growth were assumed to come from increased amounts of imported MWD water. Projections of locally produced groundwater and imported MWD water are found in Appendix B, Table B-1, lines 28 through 32. A 10-year financial projection was prepared. The financial projection did not extend to the time period where the west side approaches buildout.
--

Murrieta FMSR Comments - Response to Comments

What funds do the different districts get from our property taxes? Ad Valorem is explained in the study as are standby fees. However I see that RCWD also has a line in the financials for 1% share of Property Tax, noting that WMWD's small amount of revenue wouldn't transfer. It shows up here with \$0 (Table B-4a, line 36), but Table B-4, line 303 shows that for 2019/20 all of RCWD had nearly \$18m from these assessments and the Santa Rosa division alone had \$2.7m.) EMWD has the same reference to 1% (line 41, Table B-5a) with \$0 but no other references to it appear for EMWD nor anywhere for WMWD. What is it and why does it differ between districts? Why does RCWD access these funds but other districts don't? What does this mean to the customer?

For the question regarding what funds do the different districts get from our property taxes and the definition of the 1% ad valorem property tax levy. RCWD and EMWD do not collect the 1% ad valorem property tax levy from the Study Area. WMWD does collect property tax revenue from the Study Area. In the Study Area, WMWD receives revenue from the 1% ad valorem property tax levy. When Murrieta County Water District (MCWD) was merged into Western via LAFCO action in 2006, MCWD was receiving a small amount of revenue from the 1% Ad Valorem property tax levy placed on the tax rolls by the County of Riverside. This revenue has continued to be received. It is a small amount, approximately \$2,000 per year for the entire Study Area. This revenue is shown in Appendix B, Table B-3A, line 31, is applied exclusively for the benefit of water customers in Western's Murrieta Service Area. In addition to the 1% ad valorem property tax levy, Western has a General District Levy that applies to all parcels within its General District boundary (the General District boundary includes WMWD's entire wholesale service area). That revenue goes into WMWD's because it is does not fund Murrieta water system expenses.

For the question of why does the 1% ad valorem tax revenues differ between districts: Because the \$2,000 per year collected from the 1% ad valorem property tax levy is very small compared with the overall cost of providing water service, the \$2,000 per year was not incorporated into the RCWD or EMWD Ownership Scenarios.

For the question related to RCWD's property tax revenue collected from their retail service area: The scope of the FMSR did not evaluate the various property tax levies assessed by RCWD and EMWD in their respective service areas.

For the question regarding what does this mean to the consumer: The \$2,000/year revenues for the entirety of the Study Area would continue to be collected. If ownership of the water system in the Study Area changes, WMWD's General District Levy could also continue, because the Study Area would remain within the WMWD General District boundary.

Murrieta FMSR Comments - Response to Comments

LAFCO Comments- 4/26/21

Report map revisions/clarifications required. Figures 1-1 and 2-1 require revision. Figure 2-3 to include the MWD unconnected parcels map.
Appendix "C" map revisions required- Figures C-4, C-5 and C-6 require revision.
Please clarify the impact of Standby Charges and Ad Valorem on properties not connected to the existing WMWD sytem, in particular parcels on wells.
For RCWD, two scenarios are identified in the reveue analysis regarding Ad Valorem tax versus rate surcharges. Under the Ad Valorem scenario, all parcels within the study area will be assessed regardless of receiving service or not. Under the rate surcharge scenario, only those customers receiving existing or new service will be charged with the surcharge. Please clarify that in order to raise the same level of revenue annually that the Ad Valorem scenario would generate, rate surcharges would accordingly adjust annually.
Table ES-1- If RCWD utilizes a portion of Ad Valorem tax for offsetting future new development infrastrucutre costs, thus reduced connection fees, then wouldn't it follow that those parcels within the Study Area currently receiving service from WMWD, and those parcels not receiving service, would be subsidizing new development?
Page 8- Under Findings and Conclusions, 6th line, Table ES-1 is mis-labeled
Page 11, last paragraph & Page 12, Table ES-2- Regarding the EMWD lower commercial ccf/month usage (59 versus 125). Please clarify that the same reduced cost assumption would apply for the other service providers if the 59 ccf assumption were applied.
Page 84, Section 8.2.5, Figures 8-2 & 8-3 are mis-labeled.
Page 100, 3 bullet points under the 1st paragraph- ET or ETAF?
Page 100, Table 8-17, EMWD Residential Tier 5- What is 164?
Page 102, Table 8-19, Note #2- RCWD listed incorrectly.
Page 116, Section 10.3, first bullet, fifth line- FMWR is a typo.
Page 117, last paragraph requires clarification.

Response to Comment

Maps have been revised for clarity and incorporated in the Errata Document.
Maps have been revised for clarity and incorporated in the Errata Document.
All parcels within the Study Area will continue to pay Standby Charges at the rate charged by the service provider for the area. If Ad Valorem tax is invoked, all parcels in the Study Area would also be assessed the Ad Valorem tax regardless of being connected or not for service.
Rate surcharges would adjust annually to match the Ad Valorem increase that would occur if Ad Valorem were applied. Any rate increase for rate surcharges would be a policy decision for RCWD.
How RCWD would apply the Ad Valorem tax collected in the Study Area to new development would be a policy decision for RCWD. Under RCWD's current process that reduces connection fees, some portion of the Ad Valorem collected would pay a portion of future capital improvements that benefit future development and that benefit existing WMWD customers.
Correction will be included in the Errata Document
Yes the same assumption and conclusion would apply to each service provider. Reducing water consumption to 59 ccf/month would reduce the total cost under all Ownership Scenarios.
Correction will be included in the Errata Document
Correction will be included in the Errata Document
The table entry with "164" should be blank and a correction will be included in the Errata Document.
Correction will be included in the Errata Document
Correction will be included in the Errata Document
The general assumptions used in the analysis were agreed upon by all three agencies at the early stages of the process. As agency staff policy "directions" were given by each agency, those policy "directions" were included. At no time were any policy "decisions", ie Board of Directors offical policy "decisions", provided (See Section 7.2.1 starting on Page 63 of the report regarding policy "directions" and "decisions"). During the internal agency review process, several iterations and comments were evaluated and included as deemed appropriate while maintaining the essence of attempting as close to an apples to apples evaluation as possible based on the policy "directions". The report stands based on the agreed upon assumptions and the "directions" provided. It was determined by LAFCO staff that when any agency decided that they wanted to provide such a substantial policy "direction" change, or an alternative proposal that would substantially alter the agreed upon assumptions, that any substantial analysis of substance would incur additional cost and delays. It was not conducive to the process to engage in a series of analysis of alternatives and assumption revisions endlessly. As such, LAFCO instructed the consultant to release the report as currently published. LAFCO staff also advised each agency that as part of the public comment process, they could submit any alternative proposal, rebuttal, or any other issue they deemed appropriate for their agency for the public record, and for the public to evaluate. It should be noted that no change to the current service provider within the study area can occur unless an application is submitted to LAFCO for consideration of such a change.

Murrieta FMSR Comments - Response to Comments

Comment Submittal #15- Recv'd- 2/25/21- Rancho California Water District

See Attached Letter and Comment "A"- General Comments
See Attached Letter and Comment "B"- Alternative Analysis- Includes Exhibit A
See Attached Letter and Comment "C"- General Comment
See Attached Letter and Comment "D"- Figure 1-1
See Attached Letter and Comment "E"- Section 1.0- Figure 1.1 and Narrative
See Attached Letter and Comment "F"- Section 1.2.2- Typo
See Attached Letter and Comment "G"- Section 1.2.3 Typo
See Attached Letter and Comment "H"- Figure 2-1
See Attached Letter and Comment "I"- Figure 2-3
See Attached Letter and Comment "J"- Section 7.2.7 Name Error
See Attached Letter and Comment "K"- Section 8.3.3.3 Typo
See Attached Letter and Comment "L"- Section 10.3 total Cost to Ratepayers
See Attached Letter and Comment "M"- General Comment

Response to Comment

Comments Noted. Although the alternative analysis is presented, validation and specific policy decisions by RCWD regarding rate structuring, and assumptions regarding inflation and operational costs, are not included. Although the RCWD alternative model reflects dramatic differences from the consultant model, no justificative analysis is provided to support operational costs so significantly less than the current service provider. Lacking specific justifications to vary from the agreed upon assumptions that the consultant model was based upon, no modifications will be made to the consultant model. It is noted that any future action by any service provider that would necessitate a boundary change through LAFCO will have the opportunity to present the specific plan for services and financial analyses they deem appropriate as part of that process.
Comment Noted. Figure 1-1 has been revised for clarification and included in the Errata Document.
Section 2.2.2 on P.22 as revised in the Errata Document discusses and clarifies MWD annexation charges and the requirements for annexation into MWD when connecting to WMWD.
Correction has been incorporated in the Errata Document.
Correction has been incorporated in the Errata Document.
Figure 2-1 has been revised for clarification and is included in the Errata Document.
Confirmation was received from WMWD that the "No Data" designation indicates not paid status. WMWD has affirmative proof that the "Paid" parcels were paid. All others are not paid. Figure 2-3 will be revised to clarify in the Errata Document.
Correction has been incorporated in the Errata Document.
Correction has been incorporated in the Errata Document.
Clarification has been incorporated in the Errata Document.
Comment Noted.



February 25, 2021

VIA EMAIL: GThompson@lafco.org

Gary Thompson
Executive Officer
RIVERSIDE LAFCO
6216 Brockton Avenue, Suite 111-B
Riverside, CA 92506

**SUBJECT: COMMENTS FOR THE PUBLIC REVIEW REPORT – MURRIETA
FOCUSED MUNICIPAL SERVICE REVIEW FINAL REPORT, 12-10-
2020 PREPARED FOR THE RIVERSIDE LOCAL AGENCY FORMATION
COMMISSION**

Dear Mr. Thompson:

The purpose of this letter is to provide comments from Rancho California Water District (Rancho Water/Rancho/District/RCWD) regarding the *Focused Municipal Service Review for the Murrieta Study Area Final Report, 12-10-2020, LAFCO 2019-11-3 (Final Report)*. Rancho Water appreciates LAFCO's commitment to transparency with the public, and the opportunity to provide its comments.

There has been a significant effort and resources expended among the multiple public entities these last two years to address the primary question of which agency could most effectively service the Murrieta Study Area (MSA) at the most efficient cost. Although the Final Report did not offer a definitive answer to who would *best* serve the MSA as many had hoped, it did shed light on an important conclusion. Primarily, that all three agencies are projected to be able to meet the water service needs of both current and future customers in the MSA with only relatively minor overall cost differences, especially when compared to the significant disparity of the water service cost that exists in the various regions in California. All three agencies are experienced water districts with clear records on their technical, managerial, and financial capacity to ensure clean, reliable, and affordable water service to the area.

Rancho Water's Board has made it clear both from the beginning, and again now in the conclusion of this effort, that the District's intention is to do what is best for both the stakeholders in the MSA, and its own current customers. This commitment was demonstrated recently with Rancho's Board approving an agreement with Western Municipal Water District (Western/WMWD), as part of a mutually beneficial solution leveraging existing Rancho Water infrastructure to transport water on behalf of Western. This agreement lowers costs for the

Board of Directors

Carol Lee Gonzales-Brady
President

John V. Rossi
Senior Vice President

Brian J. Brady

Angel Garcia

John E. Hoagland

William E. Plummer

Bill Wilson

Officers

Eva Plajzer, P.E.
Assistant General Manager
Engineering and Operations

Richard R. Aragon, CPFO
Assistant General Manager
CFO/Treasurer

Jason A. Martin
Director of Administration

Eileen Dienzo
Director of Human Resources

Kelli E. Garcia
District Secretary

James B. Gilpin
Best Best & Krieger LLP
General Counsel

Sauer Property development project in Western's service area, brings reimbursement revenue back to the benefit of Rancho's customers, and helps to cooperatively address one of the very types of development concerns raised at the beginning of this process, and as addressed in the Final Report. Although we believe the information is clear that there are distinct cost and service advantages to every class of customer if Rancho Water served the MSA, the District appreciates the concerns expressed by the public during the Focused Municipal Service Review (FMSR) process. It also respects if the conclusion of this effort is for the MSA to remain receiving water service from Western.

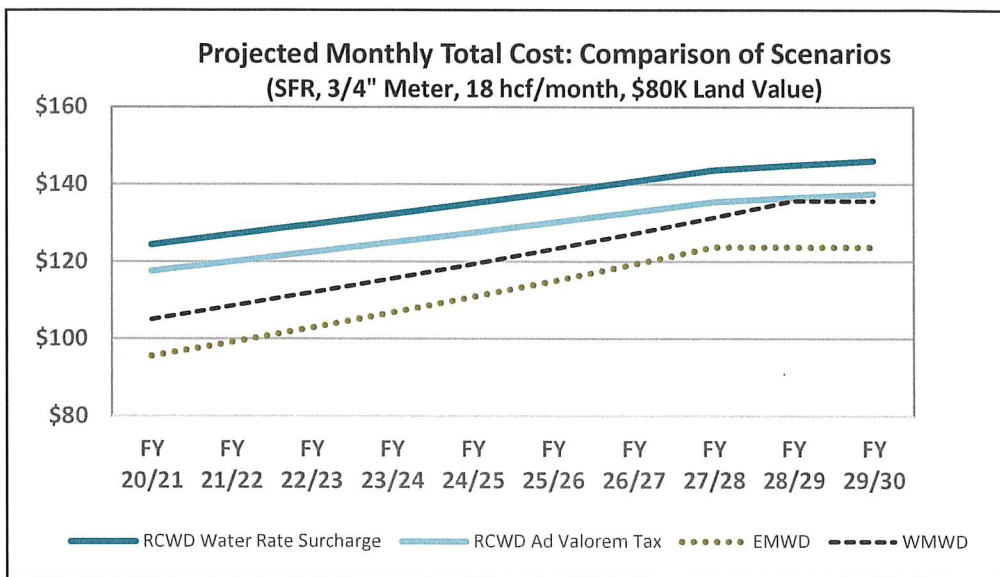
Rancho Water's principal desire with this letter and its comments to the Final Report is to ensure that the most accurate information is before the public and incorporated into the record, so that any stakeholder relying on this Final Report would have the best information currently available. The District's comments are broken into two main categories: 1) the need for more accurate financial and customer cost projections, and 2) specific edits.

Rancho Water believes the Final Report currently materially misrepresents the projected cost for Rancho to provide service to the MSA, and therefore, materially misrepresents the overall customer cost conclusions of the Final Report. The Final Report included a simplistic assumption in its financial projection that Rancho Water's operation and maintenance expenses (O&M) would be the same as Western's. Although the intent of the FMSR was to show the distinctions in service and cost between the agencies, the study did not investigate into any distinctions in operating cost for Rancho. It does however reflect the relative operating efficiencies of both Western and Eastern Municipal Water District (Eastern/EMWD), as Western's projections are based on its operating history with the service area, and Eastern's approach is based on its current blended-average operating costs extrapolated to the amount of water demand in the MSA.

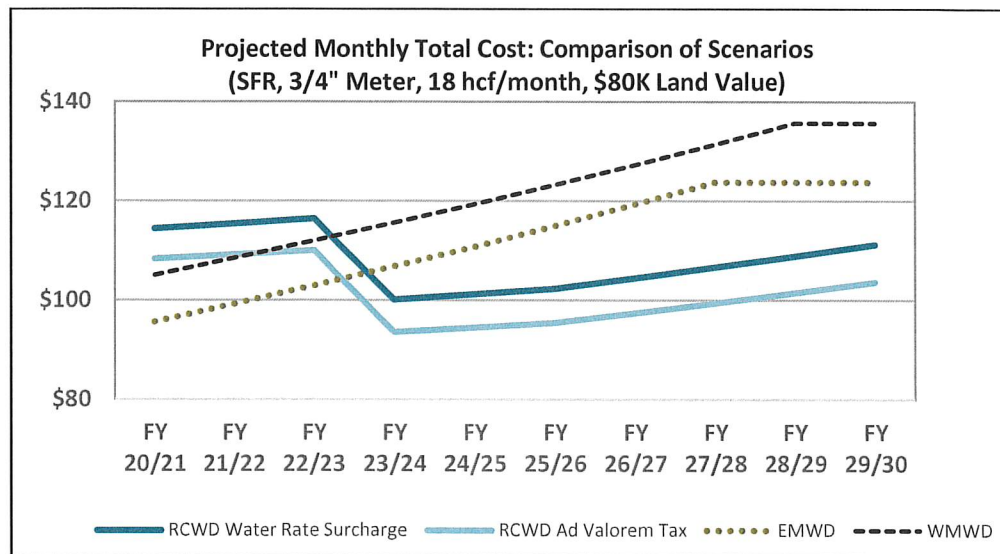
The District first had its opportunity to begin reviewing the draft financial information in the FMSR in January 2020, and completed its own study of projected O&M costs after reviewing operating, financial, and infrastructure information from Western to see if the study's results revealed whether Rancho's O&M costs would be significantly different than Western's. Rancho provided the results of its own financial analysis on May 5, 2020, revealing that its O&M costs were projected to be approximately \$1.2 million lower in the first year than what was being reflected in the FMSR. To verify the reasonableness of the analysis, these projected O&M costs were within 8 percent of the average operating cost per equivalent meter for Rancho's current customers, reflecting the relatively simpler infrastructure and maintenance requirements in the MSA. Against Rancho's request, LAFCO ultimately decided to use the original simplistic assumption as the basis for Rancho's projected O&M costs in the final report out of a reported concern over potentially delaying the completion of the final report.

Attached as Exhibit A to this letter are the financial schedules and tables included in the Final Report revised to reflect the use of Rancho Water specific O&M costs, and the correspondingly significantly lower, required water rates for the Rancho Ownership Scenario. The updated FMSR model shows that Rancho would be able to lower average water rates from its current base line Santa Rosa Division water rates by 10 percent in the first year, another 25 percent in the fourth year, and then begin inflationary increases beginning in the seventh year, in order to meet the necessary target reserve levels by year ten. This results in Rancho Water having the lowest projected average total water costs for residential and commercial customers, for both the Ad Valorem and Water Rate Surcharge scenarios. Likewise, the Final Report already concluded that Rancho would have the lowest cost to new customers through development, due to its lower capacity fees. The updated rate projections reflecting Rancho Water specific O&M costs, as compared to what is in the Final Report, are shown on the next two pages.

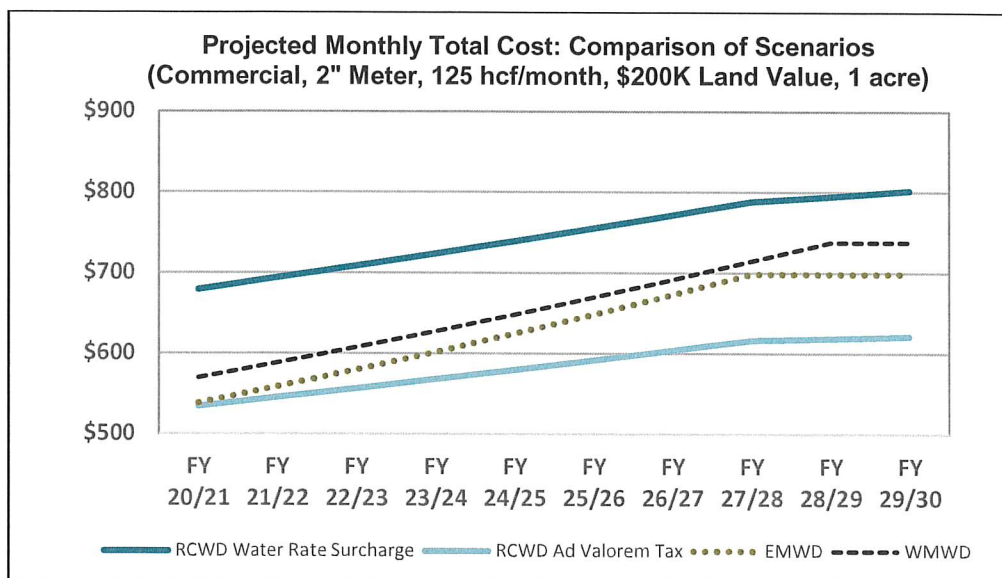
Per LAFCO Final Report – Residential Customers – Average Monthly Costs



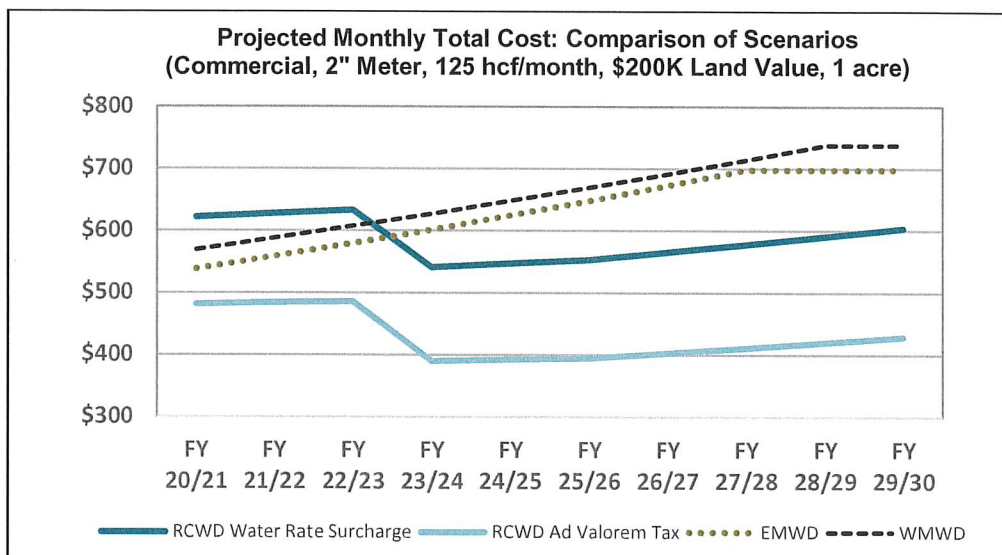
Final Report with RCWD *Corrected* Projections – Residential Customers – Average Monthly Costs



Per LAFCO Final Report – Commercial Customers – Average Monthly Costs



Final Report with RCWD *Corrected* Projections – Commercial Customers – Average Monthly Costs



This second set of comments focus on specific edits within the Final Report. These comments include the following:

- Figure 1-1 – Please note that there are a number of inaccuracies in this exhibit. This is typical of most of the exhibits. The exhibit shows wholesale/sewer boundaries and not retail boundaries, and is not labeled as such in the legend. A number of other exhibits coming the two. Retail and wholesale service areas are different for the two agencies providing wholesale water from Metropolitan. Please correct on all exhibits. In addition, areas within the study area that are currently within the Rancho Water service area and sphere of influence should be labeled as such. C
- Section 1.0 Introduction and Background – Figure 1-1 and the paragraph describing the figure need to address that only parcels within Western's service area that paid the Metropolitan connection fee are eligible for service. Figure 1-1 should be adjusted to reflect that. D
- Section 1.2.2 Rancho California Water District, last sentence – grammatical error. E
- Section 1.2.3 Eastern Municipal Water District, second paragraph – it should be EMWD instead of RCWD in the last sentence. F
- Figure 2-1 – please see comment for Figure 1-1. The retail and wholesale/sewer areas for the providers are mixed up. Please only show retail service area. Areas in pink in the southern end should be yellow, as they are in RCWD's retail area not EMWD's. The same for some pink areas within the study area. G
- Figure 2-3 – the no data areas should be resolved to provide a complete understanding of areas that are within the Metropolitan wholesale delivery. H
- Section 7.2.7 Assessment Districts and Community Facility Districts – the proper name is Murrieta Creek, not Murrieta River. I
- Section 8.3.3.3 – There is a typo in the reference to repair and replacement costs. The figure should read \$540,000 not \$540,00. J
- Section 10.3 Total Cost to Ratepayers – Section references that EMWD existing and future customers would have lower rates; however, Figure 8-17 shows the RCWD Ad Valorem scenario with the lowest rates for commercial customers. K

Rancho Water appreciates this opportunity to provide comments on the Final Report. Please contact me at (951) 296-6935 if you should have any questions or need any additional information. L

Sincerely, M

RANCHO CALIFORNIA WATER DISTRICT



Richard R. Aragon
Interim Co-General Manager &
Assistant General Manager-CFO/Treasurer

cc: Eva Plajzer, Assistant General Manager-Engineering & Operations
Jeff Kirshberg, Water Resources Manager

Table B-4 (Updated per RCWD Specific O&M Analysis)
RIVERSIDE LAFCO - Murrieta Focused Water Municipal Service Review - Financial Analysis
RCWD SCENARIO TABLES

Table B-4a (Updated)
RCWD SCENARIO: Projected Operating Statement: Sources of Funds

Line		FY 20/21	FY 21/22	FY 22/23	FY 23/24	FY 24/25	FY 25/26	FY 26/27	FY 27/28	FY 28/29	FY 29/30	Notes
1	Beginning Reserve Balance											
2	Working Capital	\$1,314,934	\$1,035,894	\$1,064,032	\$1,117,217	\$1,168,997	\$1,219,202	\$1,270,713	\$1,323,611	\$1,379,012	\$1,437,494	
3	Drought Reserve		\$329,529	\$381,529	\$364,162	\$374,616	\$387,248	\$399,010	\$411,642	\$424,274	\$434,881	
4	Rate Stabilization	\$0	\$0	\$798,024	\$837,913	\$876,748	\$914,402	\$953,035	\$992,708	\$1,034,259	\$1,078,120	
5	Water Replenishment: Not Applicable	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
6	Risk Management	\$0	\$0	\$60,004	\$122,349	\$133,184	\$459,412	\$559,537	\$668,125	\$779,267	\$893,606	
7	Unrestricted	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
8												
9	Sources of Funds											
10	Rate Revenues Under Existing Santa Rosa Division Rate Schedule											
11	Monthly Service Charges	\$1,862,904	1,893,067	1,923,719	1,954,867	1,986,520	2,018,867	2,051,741	2,085,151	2,119,104	2,153,610	
12	Commodity Charges	\$2,115,628	2,149,883	2,184,693	2,220,067	2,256,014	2,292,749	2,330,083	2,368,025	2,406,584	2,445,772	
13												
14	Additional Rate Revenues (Rate increases for Monthly Service Charges and Commodity Charges)											
15	Fiscal Year											
16	% of Water											
17	Rate Revenue											
18	FY 20/21	-10.0%										3
19	FY 21/22	0.0%										3
20	FY 22/23	0.0%	0	0	0	0	0	0	0	0	0	3
21	FY 23/24	-25.0%										3
22	FY 24/25	0.0%			(939,360)	(954,570)	(970,114)	(985,911)	(1,001,964)	(1,018,280)	(1,034,861)	3
23	FY 25/26	0.0%				0	0	0	0	0	0	3
24	FY 26/27	2.0%					0	0	59,155	60,118	61,097	3
25	FY 27/28	2.0%							62,319	63,333	64,600	3
26	FY 28/29	2.0%							64,600	65,655		3
27	FY 29/30	2.0%										3
28	Total Additional Rate Revenue (Monthly Service Charges, Commodity Charges)											
29	Energy Charges											
30	Ad Valorem Equivalent Rate Surcharge (assume land values increases with inflation)											
31		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
32		\$2,090,450	2,142,711	2,196,279	2,251,186	2,307,466	2,365,152	2,424,281	2,484,888	2,547,010	2,610,686	
33	Subtotal Rate Revenues											
34		\$5,671,128	\$5,781,367	\$5,893,850	\$5,069,267	\$5,171,176	\$5,275,493	\$5,441,167	\$5,612,219	\$5,788,831	\$5,971,186	
35	Non-Rate Revenue											
36	Non-Operating Revenues											
37	Property Tax (1% Share) Assume WMWD's small property tax revenue does not transfer		0	0	0	0	0	0	0	0	0	
38	Operating Revenues											
39	Interest Income		26,299	26,501	45,472	48,833	54,671	59,605	63,646	67,922	72,336	
40	Delinquent Penalties (Assumed Same as WMWD)		53,045	53,045	53,045	53,045	53,045	53,045	53,045	53,045	53,045	
41	Standby Charge Revenues		462,731	462,731	462,731	462,731	462,731	462,731	462,731	462,731	462,731	
42	Other - New Service Set Up & Meter Repair		4,244	4,244	4,244	4,244	4,244	4,244	4,244	4,244	4,244	
43	Other Revenues											
44	Connection Fees		166,322	173,145	177,474	184,711	189,329	197,004	204,945	210,068	218,489	
45	Total Non-Rate Revenue		\$712,640	\$719,666	\$742,565	\$753,563	\$764,019	\$776,629	\$788,610	\$798,010	\$810,844	
46	Total Revenues											
47		\$6,383,768	\$6,501,032	\$6,636,816	\$5,822,831	\$5,935,195	\$6,052,122	\$6,229,778	\$6,410,229	\$6,599,675	\$6,794,214	
48												

Note- Red text are updated inputs into the FMSR financial model based on RCWD' specific O&M cost projections.

Table B-4 (Updated per RCWD Specific O&M Analysis)
RIVERSIDE LAFCO - Murrieta Focused Water Municipal Service Review - Financial Analysis
RCWD SCENARIO TABLES

Table B-4b (Updated)
RCWD SCENARIO: Projected Operating Statement: Uses of Funds and Financial Performance Criteria

	Projected												Notes
	FY 20/21	FY 21/22	FY 22/23	FY 23/24	FY 24/25	FY 25/26	FY 26/27	FY 27/28	FY 28/29	FY 29/30			
49 Uses of Funds:													
50 O&M Expenditures													1
51 Water Pumping	61,094	62,621	64,187	65,792	67,436	69,122	70,850	72,622	74,437	76,298			3
52 Transmission & Distribution	489,506	501,744	514,287	527,144	540,333	553,831	567,677	581,869	596,416	611,326			3
53 Customer Accounts	52,975	55,179	57,474	59,865	62,355	64,954	67,662	70,483	73,422	76,483			3
54 G&A Allocation	677,669	694,611	711,976	729,775	748,020	766,720	785,888	805,535	825,674	846,316			3
55 Engineering O&I Allocation	112,474	115,286	118,168	121,122	124,150	127,254	130,435	133,696	137,039	140,465			3
56													
57 Other Expenditures													
58 Purchased Water	\$1,136,889	\$1,240,134	\$1,349,234	\$1,452,788	\$1,550,253	\$1,650,218	\$1,752,904	\$1,861,616	\$1,978,049	\$2,106,981			8
59 Source of Supply	400,963	341,297	349,829	356,575	367,359	378,728	388,146	395,800	405,595	415,827			3
60 Treatment	133,284	136,616	140,091	143,532	147,120	150,798	154,568	158,432	162,393	166,453			3
61 Water Use Efficiency	42,828	44,609	46,465	48,398	50,411	52,513	54,702	56,983	59,358	61,833			3
62 Other Non-Operating Expenses	0	0	0	0	0	0	0	0	0	0			3
63													
64 Other Expenditures													
65 WMMWD Identified Capital Project Funding (GIS Mapping and Tank Mixing System)	\$500,000	\$350,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0			
66 WMMWD-Identified Capital Project Funding (Reservoir Recoating)	\$0	\$0	\$1,100,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0			
68 Study Area Repair and Replacement	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000			4
70 RCWD "Backbone" Repair and Replacement	407,980	414,587	421,300	428,122	435,054	442,138	449,338	456,654	464,090	471,647			5
71 FMSR Capital Excluding Improvement Districts	\$1,857,986	\$1,095,814	\$1,095,814	\$1,095,814	\$1,095,814	\$1,095,814	\$1,095,814	\$1,095,814	\$1,095,814	\$1,095,814			6
72													
73 Total Uses of Funds	\$6,373,648	\$5,552,497	\$6,468,765	\$5,530,926	\$5,688,475	\$5,850,091	\$6,015,986	\$6,189,504	\$6,372,386	\$6,560,452			
74													
75 End of Year Balance													
76 Working Capital	\$1,035,894	\$1,064,032	\$1,117,217	\$1,168,997	\$1,219,202	\$1,270,713	\$1,323,611	\$1,379,012	\$1,437,494	\$1,500,664			
77 Drought Reserve	\$289,160	\$351,529	\$364,162	\$374,616	\$387,248	\$399,010	\$411,642	\$424,274	\$434,881	\$445,753			
78 Rate Stabilization	\$0	\$798,024	\$837,913	\$876,748	\$914,402	\$953,035	\$992,708	\$1,034,259	\$1,078,120	\$1,125,498			
79 Water Replenishment: Not Applicable	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0			
80 Risk Management	\$0	\$60,004	\$122,349	\$313,184	\$459,412	\$559,357	\$668,125	\$779,267	\$893,606	\$895,951			
81 Unrestricted	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$100,998			
82 Math Check, should equal \$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0			
83													
84 Financial Performance Criteria													
85 Working Capital Reserve: Four Months of Operating Budget Within Five Years													
86 Criteria, 5	\$1,035,894	\$1,064,032	\$1,117,217	\$1,168,997	\$1,219,202	\$1,270,713	\$1,323,611	\$1,379,012	\$1,437,494	\$1,500,664			
87 Reserve Criteria Met?					Yes	Yes	Yes	Yes	Yes	Yes			
88 Drought Reserve: 30% of Local Supplies @MWD Tier 1 Unreated Rate Effective at end of FY													7
89 Criteria, 5	\$340,204	\$351,529	\$364,162	\$374,616	\$387,248	\$399,010	\$411,642	\$424,274	\$434,881	\$445,753			
90 Reserve Criteria Met?	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes			
91 Rate Stabilization Fund: Three Months of Operating Budget Within Ten Years													
92 Criteria, 5	\$776,921	\$798,024	\$837,913	\$876,748	\$914,402	\$953,035	\$992,708	\$1,034,259	\$1,078,120	\$1,125,498			
93 Reserve Criteria Met?										Yes			
94 Water Replenishment Reserve: not applicable per RWS 1/22/2020													
95 Reserve Criteria Met?													
96 Risk Management Reserve: \$750,000 plus 1% of current gross plant													
97 Criteria, 5	\$895,951	\$895,951	\$895,951	\$895,951	\$895,951	\$895,951	\$895,951	\$895,951	\$895,951	\$895,951			
98 Reserve Criteria Met?	No	No	No	No	No	No	No	No	No	Yes			
99													

Table B-4 (Updated per RCMD Specific O&M Analysis)
RIVERSIDE LAFCO - Murrieta Water Municipal Service Review: Financial Analysis
RCMD SCENARIO TABLES

100 Table B-4a and A-5b Notes:
 101 (1) Source: Western Municipal Water District FY 2020 for the expenses in this table except for purchased water.
 102 (2) Debt service payments under a WMWD Scenario will be discontinued under a RCMD scenario because WMWD's outstanding debt will be refunded as part of a service area transfer.
 103 (3) Data revised per focused analysis on RCMD specific Operations & Maintenance (O&M) Expenses. Corresponding rate increases adjusted to reflect lower O&M costs while still meeting reserve target requirements. Analysis based on RCMD specific staffing needs, payroll and benefit costs, and overhired allocations.
 104 (4) Estimated starting FY 20/21, per WMWD 2/9/2020. FY 20/21 and 21/22 WMWD-identified capital expenses also represent repair/replacement expenditures.
 105 (5) Represents repair/replacement expenditures in RCMD's system that will provide water source, storage, and transmission services to the Study Area. Updated in RCMD specific analysis to reflect O&M and capital replacement rate of \$0.40 per HCF of demand.
 106 (6) See Table B-4d for more detail.
 107 (7) Criteria for Drought Reserve per RCMD staff, January 22, 2020.
 108 (8) Purchased Water = MWD Tier 1 Rate * 1.1 * Imported AF/Year. 10% factor for MWD Capacity and RTS Charges, based on review of EMWD's charges to WMWD

Table B-4c (Updated)
RCMD SCENARIO: Revenue Calculations

This Table Contains:

Line Number	Subject
109	Number of Connections per Meter Size (See Table B-2)
118	Comparison of RCMD and WMWD Budget-Based Rate Tiers
137	Projected Water Use by RCMD Tier, ccf/Year (See Table B-2). All Customers Except CII (Commercial, Industrial, Institutional)
158	FY 19/20 Rate Revenue Backcalculation Under RCMD's Santa Rosa Rate Schedule
212	RCMD Adopted Water Rates Through FY 19/20, and Projected Rates through FY 29/30. Projected Based on % Increases in Operating Statement Shown Above.
237	Existing Santa Rosa Division Capacity Charge Schedule
253	Projected Capacity Charge Revenues
277	Projected Standby Charge Revenues
287	Projected Ad Valorem Tax Revenues and Projected Revenue-Neutral Rate Surcharge Calculation
337	Projected Reserve Balance Transferred From WMWD to RCMD

		Projected											
		FY 19/20	FY 20/21	FY 21/22	FY 22/23	FY 23/24	FY 24/25	FY 25/26	FY 26/27	FY 27/28	FY 28/29	FY 29/30	
109	Number of Connections per Meter Size (See Table B-2)												
110	5/8"	482	490	498	506	514	522	530	538	546	554	563	
111	3/4"	1,968	1,999	2,031	2,063	2,096	2,129	2,163	2,198	2,233	2,269	2,305	
112	1"	172	175	178	181	184	187	190	193	196	199	202	
113	1.5"	77	79	81	83	85	87	89	91	93	95	97	
114	2"	161	164	167	170	173	176	179	182	185	188	191	
115	3"	5	5	5	5	5	5	5	5	5	5	5	
116	4"	2	2	2	2	2	2	2	2	2	2	2	
117													
118	Comparison of RCMD and WMWD Budget-Based Rate Tiers												
119	- WMWD has five tiers, RCMD has four tiers. For CII, WMWD has five tiers, RCMD has three. Projecting revenues from Santa Rosa Division rates requires estimating water sales by RCMD tiers.												
120	- Over 60% of Murrieta Division Water Use is Single-Family. A comparison of tier definitions is as follows:												
121	- Also from Table B-2, 91% of Murrieta Division water use is in either Tier 1 or Tier 2												
122													
123													
124	Tier	WMWD	RCMD										
125	Tier 1	SFR	SFR										
126	Tier 2	100% IWB	100% IWB										
127	Tier 3	100% OWB	100% OWB										
128	Tier 4	25% TWB	50% TWB										
129	Tier 5	25% TWB	Above Tier 3										
130		Above Tier 4											
131	SFR Conclusions:												
132	RCMD Tier 1 Use = WMWD Tier 1 Use												
133	RCMD Tier 2 Use = WMWD Tier 2 Use												
134	RCMD Tier 3 Use = WMWD Tier 3 + Tier 4 Use												
135	RCMD Tier 4 Use = WMWD Tier 4 Use												
136													

CII (Commercial, Industrial, Institutional) Conclusions:
 RCMD Tier 1 Use = WMWD Tier 1 + Tier 2 Use
 RCMD Tier 2 Use = WMWD Tier 3 + Tier 4 Use
 RCMD Tier 3 Use = WMWD Tier 5 Use

Table B-4 (Updated per RCWD Specific O&M Analysis)
RIVERSIDE LAFCO - Murrieta Focused Water Municipal Service Review - Financial Analysis
RCWD SCENARIO TABLES

137	Projected Water Use by RCWD Tier, ccf/year (See Table B-2), All Customers Except CII (Commercial, Industrial, Institutional)												
138													
139													
140	Tier 1	399,486	405,954	412,527	419,206	425,994	432,892	439,941	447,105	454,385	461,784	469,303	
141	Tier 2	414,102	420,807	427,621	434,545	441,581	448,731	456,038	463,464	471,011	478,681	486,476	
142	Tier 3	52,414	53,263	54,125	55,001	55,892	56,797	57,722	58,662	59,617	60,588	61,575	
143	Tier 4	33,598	34,142	34,695	35,257	35,828	36,408	37,001	37,604	38,216	38,838	39,470	
144	Total	899,600	914,166	928,968	944,009	959,295	974,828	990,702	1,006,835	1,023,229	1,039,891	1,056,824	
145													
146													
147	Projected Water Use by RCWD Tier, ccf/year (See Table B-2), CII												
148													
149													
150	Tier 1	92,412	93,909	95,430	96,975	98,545	100,141	101,772	103,429	105,113	106,825	108,564	
151	Tier 2	7,886	8,013	8,143	8,275	8,409	8,545	8,684	8,825	8,969	9,115	9,263	
152	Tier 3	3,802	3,863	3,926	3,990	4,055	4,121	4,188	4,256	4,325	4,395	4,467	
153	Total	104,100	105,785	107,499	109,240	111,009	112,807	114,644	116,510	118,407	120,335	122,294	
154													
155	Total Murrieta Division Water Use	1,003,700	1,019,951	1,036,467	1,053,249	1,070,304	1,087,635	1,105,346	1,123,345	1,141,636	1,160,226	1,179,118	
156													
157													
158	FY 19/20 Rate Revenue Backcalculation Under RCWD's Santa Rosa Rate Schedule												
159	Monthly Service Charge		Effective										
160			7/1/2019										
161	5/8" Meter		\$29.51										
162	3/4" Meter		\$44.04										
163	1" Meter		\$66.49										
164	1.5" Meter		\$117.50										
165	2" Meter		\$180.79										
166	3" Meter		\$532.49										
167	4" Meter		\$1,047.78										
168	6" Meter		\$1,669.23										
169	8" Meter or Larger		\$2,358.21										
170													
171	Source: Rancho California Water District: Customer Guide Rates & Charges 2019-2020												
172													
173	Monthly Service Charge Revenues		FY 19/20										
174	5/8" Meter		\$170,667										
175	3/4" Meter		\$1,040,049										
176	1" Meter		\$137,235										
177	1.5" Meter		\$108,570										
178	2" Meter		\$349,286										
179	3" Meter		\$31,949										
180	4" Meter		\$25,147										
181	Total		\$1,862,904										
182													
183													

30	21,56
	32,18
	48,58
	65,85
	32,09
	89,06
	65,55
	0,940
	1,648
	2,364
	55,551
	1,493
	2,364
	55,551

Table B-4 (Updated per RCWD Specific O&M Analysis)
RIVERSIDE LAFCO - Murrieta Focused Water Municipal Service Review: Financial Analysis
RCWD SCENARIO TABLES

287	Projected Ad Valorem Tax Revenues and Projected Revenue-Neutral Rate Surcharge Calculation		
288	Methodology: Ad Valorem Tax Revenue = Ad Valorem Rate * Assessed Value of Land. Ad valorem tax applied to entirety of service area, regardless of whether it is served by RCWD or not.		
289			
290	\$0.50	Ad Valorem Rate, \$/ \$100 assessed land value	(Source: RCWD Customer Guide - Rates & Charges)
291	\$407,892,695	Assessed Value of Land (Source: City of Murrieta, spreadsheet filename StudyAreaLandValue20190423, analyzed by West Yost to include customers served by WMWD.	
292			
293	\$2,039,463	Annual Ad Valorem Tax Revenue	
294			
295	Check of Water Rate Revenues and Ad Valorem Revenues from RCWD (Entire District and Santa Rosa Division) to compare magnitude of Ad Valorem vs. water rates		
296			
297			
298	Water Rate Revenue (Santa Rosa Rates Applied to Murrieta Study Area)		
299	Monthly Service Charge	\$1,862,904	
300	Commodity Charge	\$1,717,775	
301	Standby Charge	\$462,731	
302	Total	\$4,043,409	
303			
304			
305			
306			
307			
308			
309			
310			
311			
312			
313			
314	Conclusion: In the Murrieta Study Area, ad valorem revenues would be about 87% of monthly service charge + commodity charge revenues.		
315	In RCWD's Santa Rosa Division, ad valorem revenues are ~1/3 of water rate revenues. RCWD district as a whole, ad valorem revenues are ~40% of water rate revenues.		
316	Why for Murrieta Study Area are ad valorem revenues a higher % of water rate revenues than in the RCWD service area? Is there more land value in the Murrieta Study Area that is		
317	not connected to the water system? Thereby subject to an ad valorem fee but not not paying water rates?		
318			
319			
320			
321	Calculation of Revenue-Neutral Rate Surcharge		
322	Note: In the event an ad valorem tax is not adopted, RCWD staff indicated that RCWD would adopt a revenue-neutral rate surcharge. Any such decision is a policy		
323	decision that must be made by the RCWD Board of Directors, and that decision has not yet been made. For the purposes of this analysis, RCWD staff indicated that a revenue-neutral rate surcharge would be		
324	charged to water system customers.		
325			
326	\$0.50	Ad Valorem Rate, \$/ \$100 assessed land value	(Source: RCWD Customer Guide - Rates & Charges)
327	\$407,892,695	Assessed Value of Land by Customers Currently Served by WMWD (Source: City of Murrieta, spreadsheet filename StudyAreaLandValue20190423, as analyzed by West Yost)	
328			
329	\$2,039,463	Annual Ad Valorem Tax Revenue from Customers Currently Served by WMWD	
330			
331	Monthly Service Charge Revenue	\$1,862,904	
332	Commodity Charge Revenues	\$1,717,775	
333	Ad Valorem Tax Revenue as a % of Monthly Service Charge and Commodity Charge Revenue	56.96%	this is the percentage that Monthly Service Charges and Commodity Charges would need to go up
334	Ad Valorem Tax Revenue as a % of Monthly Service Charge Revenue	109.48%	this is the percentage that Monthly Service Charges would need to go up (surcharge not applied to Commodity Ch
335			
336			

Table B-4 (Updated per RCWD Specific O&M Analysis)
RIVERSIDE LAFCO - Murrieta Focused Water Municipal Service Review: Financial Analysis
RCWD SCENARIO TABLES

337	Projected Reserve Balance Transferred From WMMWD to RCWD
338	
339	Methodology: value of projected WMMWD reserves as of 7/1/20, less outstanding debt principal.
340	
341	Projected WMMWD Reserves as of 7/1/20
342	WMMWD Fund 230 \$2,293,163
343	WMMWD Fund 231 (\$820,381)
344	WMMWD Fund 233 \$261,943
345	WMMWD Fund 235 \$2,378,668
346	Less Outstanding Debt (998,460) Source: WMMWD
347	Less Outstanding Interfund Loan (2,000,000) Source: WMMWD
348	Total \$1,314,934
349	
350	

Table B-4d (Updated)
RCWD SCENARIO: ISMR Capital Improvements and Possible Cost Allocation to Existing Customers or Future Development

Project	Estimated Cost, 2020 \$ (See Note 1)	Benefits Existing Customers or Development?	\$ to Existing Customers	\$ to Future Development Funded by RCWD	Funded by Developers or Imp. District	Basis for Existing/ Development Allocation	Projected Schedule
351							
352	Buy-in to RCWD for Existing Customers (Note 2)						
353	Expansion CIP North of Murrieta Creek	\$9,659,628 Existing Only	\$9,659,628		\$17,120,000	Note 3	Note 4
354	Expansion CIP South of Murrieta Creek	\$17,120,000 Future Only			\$20,388,000	Note 4	Note 4
355	RCWD Hydraulic Improvement	\$20,388,000 Future Only				Note 5	Note 8
356	Not Used. Previously Supply Improvements Through RCWD	\$2,255,000 Future Only		\$2,255,000		Note 5	Note 8
357	Legacy (Small Diameter) Improvements	\$0 Future Only				Note 6	Note 8
358	Meter conversion to AMI	\$4,947,000 Existing Only	\$4,947,000			Note 10	Note 10
359	Total	\$1,243,507 Existing Only	\$15,850,135	\$2,255,000	\$37,508,000		
360							
361	New Well No. 3, Not Included in Infrastructure Review		\$0	\$0		Note 9	
362							
363							
364	Notes:						
365	(1) Source: West Yost, October 2019						
366	(2) RCWD anticipates requiring existing Murrieta Study Area customers to buy into RCWD facilities, including storage facilities, distribution facilities, and accessing MWD connections. This buy-in eliminates the need to separately build storage. Calculation of the buy-in is as follows (effective 7/1/19 to 6/30/2020):						
367							
368							
369							
370							
371	Meter Size	Number of Connections	Capacity Fee	Buy-in Charge			
372	5/8"	482	\$1,700	\$819,400			
373	3/4"	1,968	\$2,537	\$4,992,816			
374	1"	172	\$4,313	\$741,836			
375	1.5"	77	\$8,372	\$644,644			
376	2"	161	\$13,445	\$2,164,645			
377	3"	5	\$25,367	\$126,835			
378	4"	4	\$42,363	\$169,452			
379	Total			\$9,659,628			
380	(3) No cost is assigned to future development. Storage needs for future development will be provided by RCWD and funded via Capacity Fees paid by future development.						
381	(4) Expansion of water system. Project is not needed unless there is development. Schedule depends on when development occurs.						
382	(5) Needed to accommodate future water demands from growth. Project is not needed unless there is development.						
383	(6) These improvements are required even if there is no future development. Assume improvements will be completed between 2020 and 2025.						
384	(7) Schedule depends on development, but assume improvements will be completed between 2020 and 2025.						
385	(8) Assume improvements will be completed between 2020 and 2025.						
386	(9) Project Identified by WMMWD but RCWD would not complete this project (RCWD, 2/18/2020). However, since the local water production is increased, it is assumed for the purposes of this analysis that RCWD would in fact include this project.						
387							
388	(10) Updated per RCWD specific O&M analysis. Additional project to upgrade all meters to be on par with RCWD current customers and allow for customer access to water usage data on "MyWaterTracker" and more efficient billing. Assumed would be done in first year.						

Table B-4 (Updated per RCWD Specific O&M Analysis)
RIVERSIDE LAFCO - Murrieta Focused Water Municipal Service Review - Financial Analysis
RCWD SCENARIO TABLES

Table B-4e (Updated) RCWD SCENARIO: Potential Pay-As-You-Go Capital Expenses and Potential Debt Service Expenses												
Infrastructure Review Projects + RCWD System Buy-In + New Well No. 3	Potential Funding Method (1)	Projected										
		FY 20/21	FY 21/22	FY 22/23	FY 23/24	FY 24/25	FY 25/26	FY 26/27	FY 27/28	FY 28/29	FY 29/30	Note
388 Buy-in to RCWD for Existing Customers	Debt											2
389 Expansion CIP North of Murrieta Creek	Developer or Improvement District	\$614,479	\$614,479	\$614,479	\$614,479	\$614,479	\$614,479	\$614,479	\$614,479	\$614,479	\$614,479	1
390 Expansion CIP South of Murrieta Creek	Debt											1
391 RCWD Hydraulic Improvement	Pay-As-You-Go	\$0	\$150,710	\$150,710	\$150,710	\$150,710	\$150,710	\$150,710	\$150,710	\$150,710	\$150,710	3
392 Not Used - Previously Supply Improvements Through RCWD	Debt		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	3
393 Legacy (Small Diameter) Improvements	Debt		\$330,625	\$330,625	\$330,625	\$330,625	\$330,625	\$330,625	\$330,625	\$330,625	\$330,625	4
394 Water conversion to AWW	Pay-As-You-Go	\$1,243,507	\$330,625	\$330,625	\$0	\$0	\$0	\$0	\$0	\$0	\$0	5
395 Total		\$1,857,986	\$1,095,814	\$1,095,814	\$1,095,814	\$1,095,814	\$1,095,814	\$1,095,814	\$1,095,814	\$1,095,814	\$1,095,814	

- (1) Decisions on how to fund improvement projects would be made by the RCWD Board of Directors. Information is provided here to indicate a potential funding method, and is subject to review and modification by RCWD staff and/or Board.
- (2) Use of improvement districts is listed as a potential source for Expansion CIP projects based on input from staff.
- (3) Assumes 30 year debt at interest rate of 4%, starting in FY 25/26, with 10% added to project cost to cover capitalized bond reserve and issuance costs. Project cost escalated for inflation from 2019 dollars to 2025 dollars.
- (4) Project cost spread evenly between FY 20/21 and FY 24/25 and adjusted for inflation. Supply improvements through RCWD No Longer Proposed, due to RCWD's Opinion that Pipe Valocities Without This Improvement Being Acceptable.
- (5) Assumes 30 year debt at interest rate of 4%, starting in FY 21/22, with 10% added to project cost to cover capitalized bond reserve and issuance costs. Project cost escalated for inflation from 2019 dollars to 2021 dollars, except New Well 3 (FY 23/24-5)
- (5) Updated per RCWD specific O&M analysis. Additional project to upgrade all meters to remote reading technology to be on par with RCWD current customers and allow for customer access to water usage data on "MyWaterTracker" and more efficient billing.

Table B-4f (Updated)
RCWD SCENARIO: Potential Capital Funding for Facilities That Benefit Future Development

How Growth Pays for Growth	
396 FMSR Capital Projects	Developer or Improvement District
397 Expansion CIP North of Murrieta Creek	Developer or Improvement District
398 Expansion CIP South of Murrieta Creek	RCWD funds project; cost incorporated into Connection Fee. Future development pays Connection Fees.
399 Hydraulic Improvement, Pipelines	RCWD funds project; cost incorporated into Connection Fee. Future development pays Connection Fees.
400 Hydraulic Improvement, VFD @ Alton BPS	Not Applicable. No supply improvements needed
401 Supply Improvements Through RCWD	Not applicable. Not growth related
402 Fireflow Improvements	Not applicable. Not growth related

Table B-4 (Updated per RCWD Specific O&M Analysis)
RIVERSIDE LAFCO - Murrieta Focused Water Municipal Service Review: Financial Analysis
RCWD SCENARIO TABLES

Table B-4g (Updated)															
RCWD Scenario: Projected Total Water Cost Calculation															
	FY 20/21	FY 21/22	FY 22/23	FY 23/24	Projected				FY 25/26	FY 26/27	FY 27/28	FY 28/29	FY 29/30	Notes	
402 Single Family Residence (3/4" Meter: 18 ccf/month; \$80,000 land value)															
403 Monthly Service Charge	\$39.64	\$39.64	\$39.64	\$39.73	\$29.73	\$29.73	\$29.73	\$30.32	\$30.93	\$31.55	\$32.18				
404 Tier 1 Commodity Charge, \$/hcf	\$1.16	\$1.16	\$1.16	\$0.87	\$0.87	\$0.87	\$0.87	\$0.89	\$0.90	\$0.92	\$0.94				
405 Tier 2 Commodity Charge, \$/hcf	\$2.03	\$2.03	\$2.03	\$1.52	\$1.52	\$1.52	\$1.55	\$1.58	\$1.58	\$1.62	\$1.65				
406 Monthly Water Bill (Service Charge + 8* Tier 1 Charge + 10* Tier 2 Charge)	\$69.19	\$69.19	\$69.19	\$51.89	\$51.89	\$51.89	\$52.93	\$53.99	\$55.07	\$56.17					
408 Standby Charge, \$/month	\$5.83	\$5.83	\$5.83	\$5.83	\$5.83	\$5.83	\$5.83	\$5.83	\$5.83	\$5.83					
409															
410 Ad Valorem Tax Calculation															
411 Valuation (FY 20/21 Dollars, Adjusted for Inflation in Subsequent Years)	\$80,000	\$82,000	\$84,050	\$86,151	\$88,305	\$90,513	\$92,775	\$95,095	\$97,472	\$99,909					
412 Annual Ad Valorem Rate (\$ per \$100 land value)	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50					
413 Ad Valorem Tax per Month	\$33.33	\$34.17	\$35.02	\$35.90	\$36.79	\$37.71	\$38.66	\$39.62	\$40.61	\$41.63					
414															
415 Revenue Neutral Rate Surcharge															
416 % Rate Surcharge (Applied to FY 19/20 Bill)	56.96%														
417 \$ Rate Surcharge (\$5.42% of FY 19/20 Monthly Bill, Increased for Inflation in Subsequent Yrs)	\$39.41	\$40.39	\$41.40	\$42.44	\$43.50	\$44.59	\$45.70	\$46.84	\$48.02	\$49.22					
418 Initiation is due to projected inflationary increase in property values															
419															
420 Commercial Account (2" Meter: 125 ccf/month; \$200,000 land value, 1 acre)														2, 4, 5	
421 Monthly Service Charge, \$/month	\$162.71	\$162.71	\$162.71	\$122.03	\$122.03	\$122.03	\$124.47	\$126.96	\$129.50	\$132.09					
422 Tier 1 Commodity Charge, \$/hcf	\$1.84	\$1.84	\$1.84	\$1.38	\$1.38	\$1.38	\$1.41	\$1.44	\$1.46	\$1.49					
423 Monthly Water Bill (Service Charge + 100* Tier 1 Charge)	\$392.66	\$392.66	\$392.66	\$294.50	\$294.50	\$294.50	\$300.39	\$306.39	\$312.52	\$318.77					
424															
425 Standby Charge, \$/month	\$5.83	\$5.83	\$5.83	\$5.83	\$5.83	\$5.83	\$5.83	\$5.83	\$5.83	\$5.83					
426															
427 Ad Valorem Tax Calculation															
428 Valuation (FY 20/21 Dollars, Adjusted for Inflation in Subsequent Years)	\$200,000	\$205,000	\$210,125	\$215,378	\$220,763	\$226,282	\$231,939	\$237,737	\$243,681	\$249,773					
429 Annual Ad Valorem Rate (\$ per \$100 land value)	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50					
430 Ad Valorem Tax per Month	\$83.33	\$85.42	\$87.55	\$89.74	\$91.98	\$94.28	\$96.64	\$99.06	\$101.53	\$104.07					
431															
432 Revenue Neutral Rate Surcharge															
433 % Rate Surcharge (69.32% of FY 19/20 Monthly Bill, Increased for Inflation in Subsequent Yrs)	56.96%														
434 \$ Rate Surcharge (\$9.32% of FY 19/20 Monthly Bill, Increased for Inflation in Subsequent Yrs)	\$223.65	\$229.24	\$234.97	\$240.85	\$246.87	\$253.04	\$259.37	\$265.85	\$272.50	\$279.31					

Notes:

(1) Both RCWD and WMWD use budget based rates. For single-family residences, of the 18 ccf/month use, estimate 8 ccf/month in Tier 1 and remainder of water use in Tier 2. No Tier 3 or Tier 4 use.

(2) For the commercial account example, 1,500 ccf/year (125 ccf/month) is the average water use for WMWD's customers in the Study Area with 7" meters, as reported by WMWD (1/21/2020).

(3) RCWD adjusts rates on July 1 of each year. The monthly bills shown in this table are for the entire fiscal year.

(4) \$80,000 is used as an example land value for single-family residences based on qualitative review of assessor data provided by the City of Murrieta.

(5) WMWD and RCWD have different tier structures for non-residential customers. For RCWD, all water use is projected to be in Tier 1.

(6) WMWD and RCWD use different tier structures for commercial property based on qualitative review of assessor data provided by the City of Murrieta.

Table B-6 (Updated)
RIVERSIDE LAFCO - Murietta Focused Water Municipal Service Review: Financial Analysis
Graph Data and Graphs

RCWD Scenario: Projected Revenues, \$M

	FY 20/21	FY 21/22	FY 22/23	FY 23/24	FY 24/25	FY 25/26	FY 26/27	FY 27/28	FY 28/29	FY 29/30
Water Rate Revenues	\$3.58	\$3.64	\$3.70	\$2.82	\$2.86	\$2.91	\$3.02	\$3.13	\$3.24	\$3.36
Ad Valorem or Equivalent Rate Surcharge	2.09	2.14	2.20	2.25	2.31	2.37	2.42	2.48	2.55	2.61
Standby Charges	0.46	0.46	0.46	0.46	0.46	0.46	0.46	0.46	0.46	0.46
Interest Income	0.03	0.03	0.05	0.05	0.05	0.06	0.06	0.07	0.07	0.08
Other Non-Rate Revenues	0.22	0.23	0.23	0.24	0.25	0.25	0.26	0.27	0.28	0.28
Total	\$6.38	\$6.50	\$6.64	\$5.82	\$5.94	\$6.05	\$6.23	\$6.41	\$6.60	\$6.79
% from Ad Valorem	33%	33%	33%	39%	39%	39%	39%	39%	39%	38%
math check, should = \$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

RCWD Scenario: Projected Expenses, \$M

	FY 20/21	FY 21/22	FY 22/23	FY 23/24	FY 24/25	FY 25/26	FY 26/27	FY 27/28	FY 28/29	FY 29/30
Purchased Water	\$1.14	\$1.24	\$1.35	\$1.45	\$1.55	\$1.65	\$1.75	\$1.86	\$1.98	\$2.11
Other O&M	1.97	1.95	2.00	2.05	2.11	2.16	2.22	2.28	2.33	2.40
WMMWD-Initiated Capital and Repair/Replacen	1.41	1.26	2.02	0.93	0.94	0.94	0.95	0.96	0.96	0.97
FMSR Capital Excluding Improvement Districts	1.86	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10
Total	\$6.37	\$5.55	\$6.47	\$5.53	\$5.69	\$5.85	\$6.02	\$6.19	\$6.37	\$6.57
math check, should = \$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

RCWD Scenario: Projected Reserves, \$M

	FY 20/21	FY 21/22	FY 22/23	FY 23/24	FY 24/25	FY 25/26	FY 26/27	FY 27/28	FY 28/29	FY 29/30
Projected Ending Year Reserve Balance	\$1.33	\$2.27	\$2.44	\$2.73	\$2.98	\$3.18	\$3.40	\$3.62	\$3.84	\$4.07
RCWD's Minimum Reserve Balance	\$3.05	\$3.11	\$3.22	\$3.32	\$3.42	\$3.52	\$3.62	\$3.73	\$3.85	\$3.97

RCWD Scenario: Projected Total Water Cost, SFR, 3/4" Meter, 18 ccf/month, \$80,000 land value

	FY 20/21	FY 21/22	FY 22/23	FY 23/24	FY 24/25	FY 25/26	FY 26/27	FY 27/28	FY 28/29	FY 29/30
Total Water Cost	\$114.43	\$115.41	\$116.42	\$100.16	\$101.22	\$102.31	\$104.46	\$106.66	\$108.91	\$111.21
Revenue Neutral Surcharge	\$108.35	\$109.18	\$110.04	\$93.62	\$94.51	\$95.43	\$97.41	\$99.44	\$101.51	\$103.63
Ad Valorem Tax										

RCWD Scenario: Projected Total Water Cost, Commercial, 2" Meter, 125 ccf/month, \$200,000 land value, 1 acre

	FY 20/21	FY 21/22	FY 22/23	FY 23/24	FY 24/25	FY 25/26	FY 26/27	FY 27/28	FY 28/29	FY 29/30
Total Water Cost	\$622.14	\$627.73	\$633.46	\$541.17	\$547.19	\$553.36	\$565.58	\$578.07	\$590.84	\$603.91
Revenue Neutral Surcharge	\$481.82	\$483.90	\$486.04	\$390.06	\$392.31	\$394.61	\$402.85	\$411.28	\$419.88	\$428.67
Ad Valorem Tax										

Table B-6 (Updated)
RIVERSIDE LAFCO - Murrieta Focused Water Municipal Service Review: Financial Analysis
Graph Data and Graphs

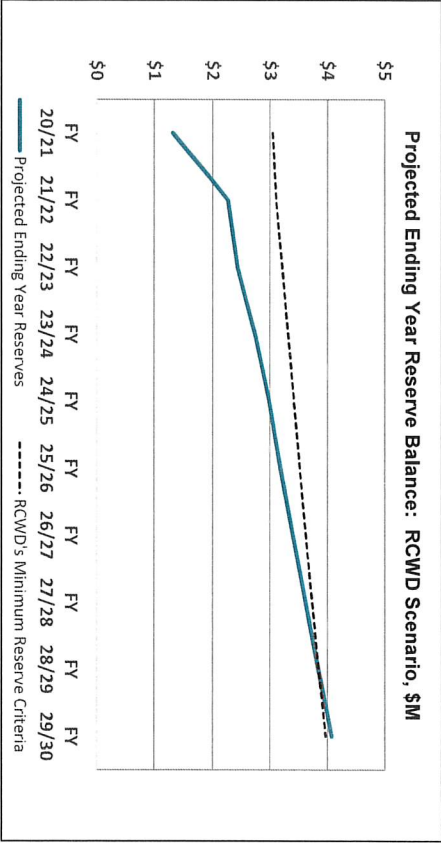
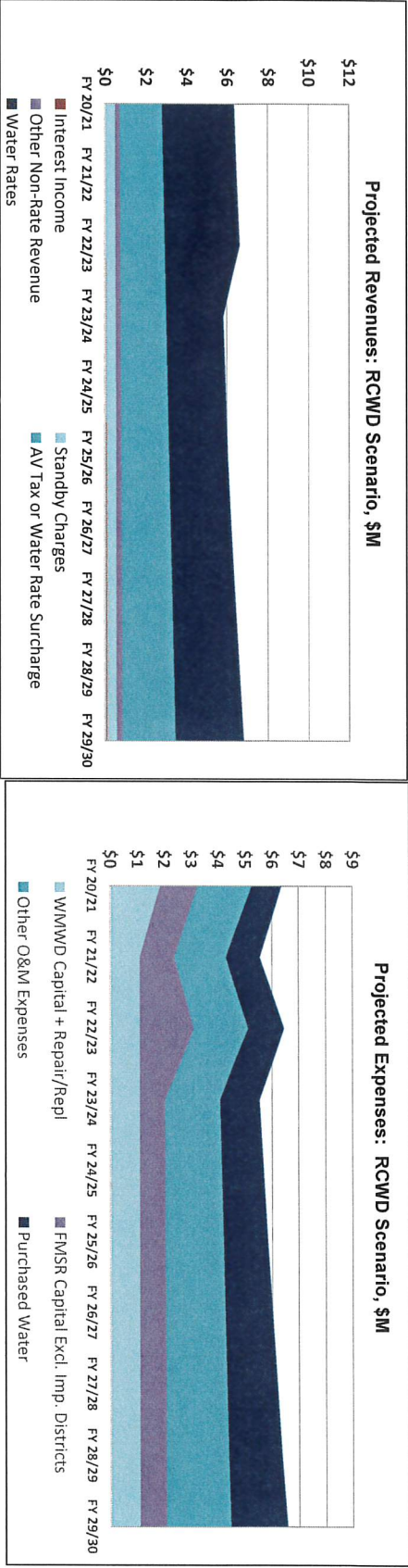


Table B-6 (Updated)
RIVERSIDE LAFCO - Murrieta Focused Water Municipal Service Review: Financial Analysis
Graph Data and Graphs

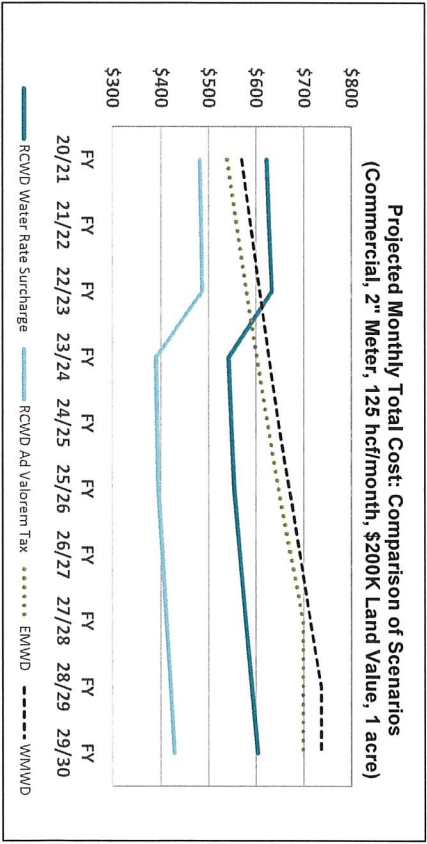
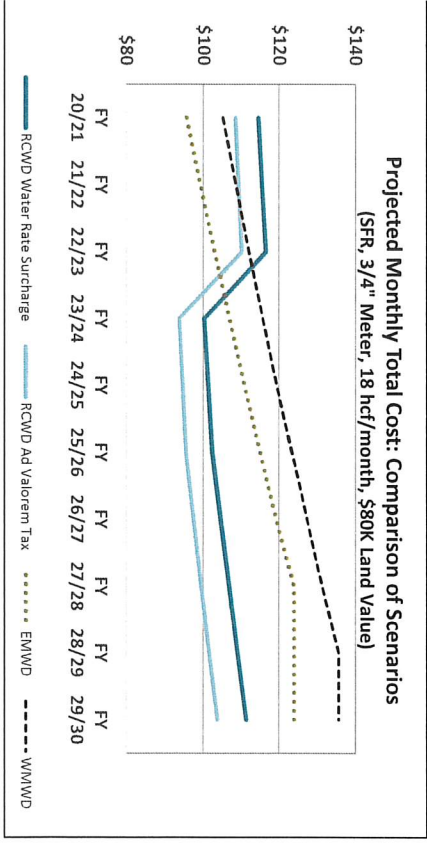
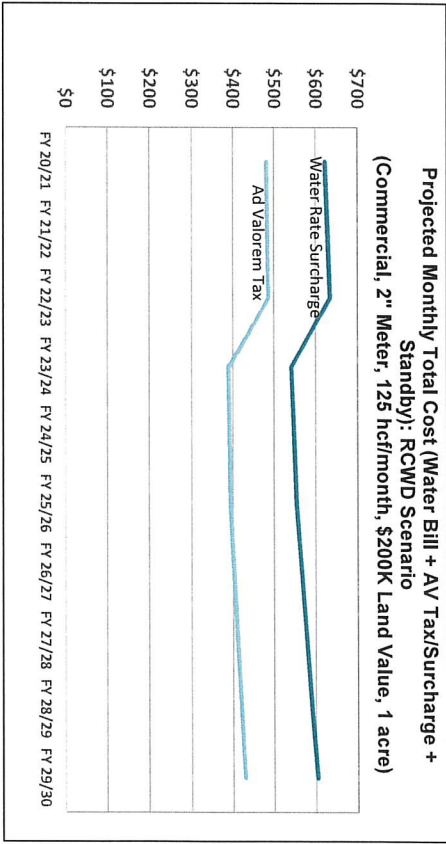
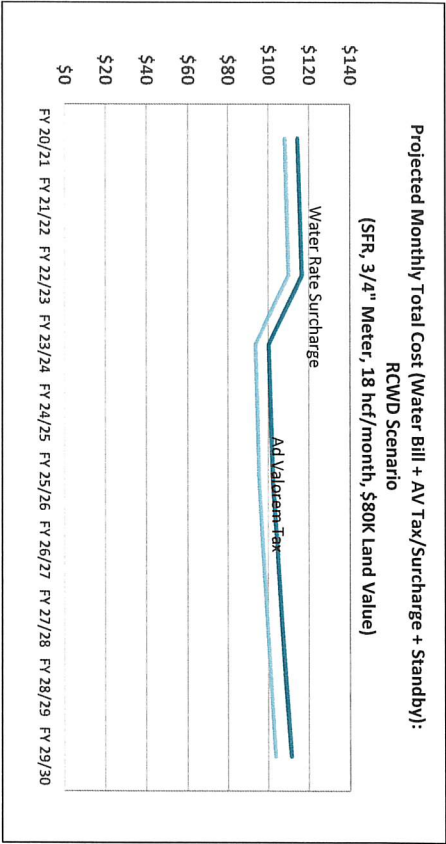
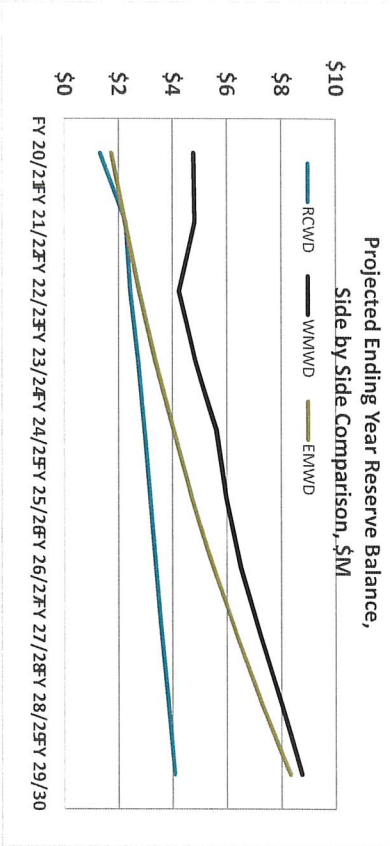


Table B-6 (Updated)
RIVERSIDE LAFCO - Murrieta Focused Water Municipal Service Review: Financial Analysis
Graph Data and Graphs



**Table 8.12 (Updated). Projected Water Rate Revenue,
RCWD Ownership Scenario**

Fiscal Year	% Increase in Water Rate Revenues (a)	Projected Water Rate Revenues		
		At FY 19/20 Rates (b)	Rate Changes (c)	Total
FY 20/21	-10.0%	\$3,978,531	(\$397,853)	\$3,580,678
FY 21/22	0.0%	\$4,042,950	(\$404,295)	\$3,638,655
FY 22/23	0.0%	\$4,108,412	(\$410,841)	\$3,697,571
FY 23/24	-25.0%	\$4,174,934	(\$1,356,853)	\$2,818,081
FY 24/25	0.0%	\$4,242,533	(\$1,378,823)	\$2,863,710
FY 25/26	0.0%	\$4,311,616	(\$1,401,276)	\$2,910,340
FY 26/27	2.0%	\$4,381,824	(\$1,364,938)	\$3,016,886
FY 27/28	2.0%	\$4,453,175	(\$1,325,844)	\$3,127,331
FY 28/29	2.0%	\$4,525,688	(\$1,283,868)	\$3,241,820
FY 29/30	2.0%	\$4,599,382	(\$1,238,882)	\$3,360,500

Notes:

(a) Rate increases presumed effective on July 1 of each year.

(b) Increase in rate revenues at RCWD's FY 19/20 Rates are from system growth.

(c) See Appendix B, Table B-4 for more detail.

Table 8.13 (Updated). Average Annual Revenues, RCWD Ownership Scenario

Type of Revenue	Projected Average Annual Revenue		
	Amount	Percentage	Note
Water Rates	\$3,225,557	50.9%	1, 2
Ad Valorem Tax or Water Rate Surcharge	\$2,342,011	37.0%	2
Capacity Charges	\$194,761	3.1%	2
Standby Charges	\$462,731	7.3%	2
Interest Income	\$54,217	0.9%	2
Delinquent Penalties	\$53,045	0.8%	2
Other	\$4,244	0.1%	2
Total	\$6,336,566	100.0%	

Notes:

(1) See Table 8.12.

(2) See Appendix B, Table B-4 for more detail. Totals may not add up due to rounding.

Table 8.14 (Updated). Projected O&M Expenses, RCWD Ownership Scenario

	FY 20/21	FY 21/22	FY 22/23	FY 23/24	FY 24/25	FY 25/26	FY 26/27	FY 27/28	FY 28/29	FY 29/30
Water Pumping	61,094	62,621	64,187	65,792	67,436	69,122	70,850	72,622	74,437	76,298
Transmission & Distribution	489,506	501,744	514,287	527,144	540,323	553,831	567,677	581,869	596,416	611,326
Customer Accounts	52,975	55,179	57,474	59,865	62,355	64,954	67,662	70,483	73,422	76,483
G&A Allocation	677,669	694,611	711,976	729,775	748,020	766,720	785,888	805,535	825,674	846,316
Other Operating Expenses	112,474	115,286	118,168	121,122	124,150	127,254	130,435	133,696	137,039	140,465
Purchased Water	1,136,889	1,240,134	1,349,234	1,452,788	1,550,253	1,650,218	1,752,904	1,861,616	1,978,049	2,106,981
Source of Supply	400,963	341,297	349,829	358,575	367,539	376,728	386,146	395,800	405,695	415,837
Treatment	133,284	136,616	140,031	143,532	147,120	150,798	154,568	158,432	162,393	166,453
Water Use Efficiency	42,828	44,609	46,465	48,398	50,411	52,513	54,702	56,983	59,358	61,833
Other Non-Operating Expenses	0	0	0	0	0	0	0	0	0	0
Total	\$3,107,682	\$3,192,096	\$3,351,651	\$3,506,991	\$3,657,607	\$3,812,139	\$3,970,834	\$4,137,036	\$4,312,482	\$4,501,991

Table 8-15 (Updated). Projected Capital Improvement Funding, RCWD Ownership Scenario

Project	Estimated Cost, 2020 \$	Benefits Existing Customers, RCWD Funded	Benefits Future Development	
			Funded by RCWD	Funded by Developers ID, or CFD
Buy-In to RCWD for Existing Customers	9,659,628	9,659,628		
Expansion CIP North of Murrieta Creek	17,120,000			17,120,000
Expansion CIP South of Murrieta Creek	20,388,000			20,388,000
RCWD Hydraulic Improvements	2,255,000		2,255,000	
Legacy (Small Diameter) Improvements	4,947,000	4,947,000		
Meter conversion to AMI	1,243,507	1,243,507		
Total	\$55,613,135	\$15,850,135	\$2,255,000	\$37,508,000

Notes:

- (1) RCWD anticipates requiring existing Murrieta Study Area customers to buy into RCWD facilities, including storage facilities, distribution facilities, and accessing MWD connections. This buy-in eliminates the need to separately build additional reservoir storage.
- (2) Project benefits future development only and would not be done if there was no future development.
- (3) Under some circumstances, RCWD would accept an improvement district or related type of financing for these improvements. For this analysis, these improvements would be funded either directly by developers or through an improvement district. They would not be funded directly by RCWD.
- (4) For facilities of this magnitude, RCWD would fund the project, and incorporate the cost in its Capacity Charge. Capacity Charge revenues, over time, would pay for the project.

Murrieta FMSR Comments - Response to Comments

Comment Submittal #17- Recv'd- 2/26/21- Metropolitan Water District

See Attached Letter and Comment "A"- General Comments & Background Information and Attachment 1.
See Attached Letter and Comment "B"- Annexation fees clarification
See Attached Letter and Comment "C"- \$12 million balance of annexation per acre charge
See Attached Letter and Comment "D"- General Comments & Attachment 2 related to Section 2.2.2
See Attached Letter and Comment "E"- Figure 1-1
See Attached Letter and Comment "F"- Figure 2-1
See Attached Letter and Comment "G"- Figure 2-3
See Attached Letter and Comment "H"- General Comments

Response to Comment

Comments Noted. Submitted map reflecting current Unpaid Parcels within the Murrieta Window Area has been included in the Errata Document in <u>conjunction with the revised Figure 2-3.</u>
Comments Noted.
In its 2/26/21 Comment Submittal, MWD indicates that (a) there is 2.9 square miles in the Study Area that has not paid MWD's per-acre charge, and (b) the 2020 per-acre charge is \$6,151. The balance of MWD's per-acre charge is \$9.28 million (equal to 2.9 square miles times \$6,151 per acre). This balance does not <u>include any one-time annexation processing fees separately charged by MWD. This will be clarified in the Errata Document.</u>
Comments Noted. MWD's suggested revised Section 2.2.2 has been included as a replacement narrative the Errata Document.
Map has been revised for clarity and incorporated in the Errata Document.
Map has been revised for clarity and incorporated in the Errata Document.
MWD Map for Unpaid Parcels has been included in the Errata Document for clarity.
Comments Noted.



THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

February 26, 2021

Via Electronic Delivery

Gary Thompson
Executive Officer
Riverside Local Agency Formation Commission
6216 Brockton Avenue, Suite 111-B
Riverside, CA 92506

Focused Municipal Service Review for the Murrieta Service Area (LAFCO 2019-11-3)

Dear Mr. Thompson:

The Metropolitan Water District of Southern California ("Metropolitan") reviewed the Focused Municipal Service Review for the Murrieta Service Area, dated December 10, 2020 ("Murrieta Focused MSR" or "the report"). Metropolitan is pleased to submit comments for consideration by the Riverside Local Agency Formation Commission ("Riverside LAFCO") during the public comment period for the report. Metropolitan's interest in the Murrieta Focused MSR arises from its prior annexation of over three-quarters of the Murrieta Study Area, located in the City of Murrieta, that is the main subject of the report.

BACKGROUND

As a regional water wholesaler, Metropolitan delivers water to 26 member agencies (including 14 cities, 11 municipal water districts, and one county water authority) that in turn, directly or through their sub-agencies, provide water to approximately 19 million people in six counties in Southern California, including Riverside County. Metropolitan's mission is to provide its service area with adequate and reliable supplies of high-quality water to meet present and future needs in an environmentally and economically responsible way.

Annexation is the formal process by which Metropolitan is able to expand water delivery to places outside its existing service area. Annexation has been an integral part of Metropolitan's history since the state enacted the Metropolitan Water District Act in 1927. The Act authorized Metropolitan to annex the corporate area of any public agency upon terms and conditions fixed by Metropolitan's Board of Directors, including the assessment of ad valorem taxes and standby charges. Metropolitan annexation policies advance the orderly extension of water delivery to its

Mr. Thompson
February 26, 2021
Page 2

member agencies, who provide water service in support of planned development, improved water quality, and avoidance of “window areas” or service gaps within their service boundaries.

Metropolitan charges a one-time annexation fee and a per-acre annexation charge. Charges shall be paid in full prior to completion of the annexation except where the Metropolitan Board of Directors approves payments over time or security which will guarantee payment. The completion of any annexation is conditioned upon the approval of the LAFCO within whose jurisdiction the proposed annexation lies. Accordingly, Metropolitan routinely coordinates with each of the six county LAFCOs within its service area, including Riverside LAFCO, which approved the aforementioned Murrieta annexation into Metropolitan in 2000. Metropolitan has only approved a few agreements to pay annexation fees over time, and the one applicable to the Murrieta Service Area is the only outstanding one and the only done in the past 30 years.

On December 14, 1999, Metropolitan’s Board of Directors approved the annexation of the area coinciding with boundaries of the Murrieta County Water District (“MCWD”). The area covers approximately 5.8 square miles, encompasses approximately 1,153 parcels, and is commonly referred to as the “Murrieta Window Area.” The Murrieta Window Area was concurrently annexed into our member agencies, Western Municipal Water District (“WMWD”) and Eastern Municipal Water District (“EMWD”). WMWD’s section is referred to as the 41st Fringe Area and EMWD’s section is the 65th Fringe Area. Notably, the Murrieta Focused MSR analyzes ownership scenarios under each of these water districts. The purpose of the annexation was to close a window area in Riverside County. In addition, because the area was a groundwater dependent, older rural community undergoing rapid growth and development, the annexation was also widely viewed as a hedge against potential water quality degradation.

Metropolitan entered into the annexation agreement with WMWD, EMWD, and the subsequently-dissolved MCWD. The key terms and conditions of the annexation agreement were as follows:

- (1) Charged a one-time annexation processing fee of \$5,000 for the entire Murrieta Window Area;
- (2) Allowed for parcels, over the term of the agreement, to pay the then-current per-acre annexation charge in order to become eligible to be physically connected to receive water service;
- (3) Assessed the existing ad valorem tax;

A

Mr. Thompson
February 26, 2021
Page 3

- (4) Created a ministerial, administrative staff level approval mechanism thus allowing for efficient inclusion of parcels into Metropolitan upon payment of the per-acre annexation charge;
- (5) Provided that if all parcels had not paid and connected to the system at the expiration of the agreement, December 14, 2024, Metropolitan would pursue the detachment of unpaid parcels; and
- (6) Requires the parties to commence negotiations five years out from expiration of the agreement or December 14, 2019, to attempt to resolve the status of the unpaid parcels.

As of the date of this letter, approximately 2.9 square miles, encompassing approximately 585 parcels, have yet to pay or connect to receive water service. A map of the unconnected parcels is shown in Attachment 1.

Metropolitan's most recent per annexation charge is for 2021 and is set at \$6,155 per acre.

Metropolitan and WMWD began informal discussions on the reconciliation of the unpaid parcels in late 2019 and intend to continue these discussions going forward.

THE MURRIETA FOCUSED MSR

The City of Murrieta initiated the request to Riverside LAFCO to prepare the Murrieta Focused MSR. The report was jointly funded by the City of Murrieta, WMWD, EMWD, and Rancho California Water District (RCWD). Riverside LAFCO hired engineering consultants West Yost Associates to prepare the report. The report was completed and submitted on December 10, 2020.

The purpose of the report is to provide a fact-based analysis of service delivery, infrastructure capacity and financial requirements, and reliable water service necessary to support existing and future customers. The report analyzes future ownership scenarios under each of the three participating water districts, WMWD, EMWD, and RCWD, including the financial impacts on rate payers, residents on private wells, and the development community over the next ten years, through 2030.

The report examines the retail water component of WMWD's Murrieta Service Area, which includes future residential and commercial connections and includes the portion of the City of Murrieta currently receiving water from WMWD. The Murrieta Study Area is 6.5 square miles and fully encompasses the Murrieta Window Area.

A

Mr. Thompson
February 26, 2021
Page 4

The report makes certain assumptions relevant to Metropolitan. It makes a critical assumption about the Murrieta Window Area regarding annexation, that developed parcels farther than 1,000 feet from a water connection are never likely to annex. It makes boundary assumptions based on information provided by the three participating water districts. It assumes the need for some future development to entirely close the Murrieta Window Area.

A

MURRIETA ANNEXATION SECTION 2.2.2

The report at Section 2.2.2. characterizes the annexation of the Murrieta Window Area into Metropolitan. To provide a clearer understanding of its role as a water supplier and as a party to the Murrieta Window Annexation agreement, Metropolitan offers the following comments for your consideration.

Metropolitan is a regional wholesaler supplier to its member agencies who in turn provide retail water service to their customers. As such, Metropolitan provides water to WMWD and EMWD. It does not directly serve their residential, commercial, or industrial water customers.

B

Metropolitan requires an annexation processing fee and a per-acre annexation charge, as stated previously. The annexation fee is a one-time processing fee currently set at \$5,000. The per-acre annexation charge is separate and is set annually by Metropolitan's Board of Directors. The Murrieta Focused MSR correctly states the 2020 was set at \$6,151 per acre. The distinction between annexation fees and per-acre charges is important to understand the financial aspects of the Murrieta Window Annexation agreement. As stated earlier, it only required one annexation processing fee for the entire annexation, for the approximately 1,153 parcels.

The Murrieta Focused MSR concludes that the annexation per-acre charge balance is approximately \$12 million. It is not clear how this figure was calculated, and Metropolitan requests an explanation of it.

C

Metropolitan also prepared more detailed comments set forth in Attachment 2.

FIGURES AND MAPS

Metropolitan houses a professional Geodetics and Mapping team within its Engineering and Services group. This team closely monitors and tracks all boundary changes and the annexation and detachment of parcels throughout Metropolitan's entire 5,181 square mile service area. In

D

Mr. Thompson
February 26, 2021
Page 5

January 2020, at Riverside LAFCOs' request, Metropolitan provided a GIS map and associated parcel data of the Murrieta Study Area prepared by the mapping team.

Accordingly, Metropolitan would like to offer its observations with regards to the boundaries and the status of annexed parcels within the Murrieta Window Area as presented in the report.

Figure 1-1 is labeled "Murrieta, Rainbow & Rock Mountain Study Areas." The boundaries and areas within the Murrieta Study Area showing water service by WMWD and EMWD differ from the boundaries and areas of the 41st and 65th Fringe Areas. These boundaries and areas should be reconciled.

Figure 2-1 is labeled "Study Area Water System Facilities" and appears to exhibit similar inconsistencies as Figure 1-1 and should be similarly reconciled.

Figure 2-3 is labeled "MWD Annexation Fee Payment Map" and purports to show parcels that have paid Metropolitan's per-acre annexation charge. Although the accompanying text attributes the map to WMWD, the title might confuse decision makers and the public that the map originated with Metropolitan. It did not and it is therefore suggested the name of Figure 2-3 should be changed. Data gaps in Figure 2-3 are illustrated in gray. Metropolitan attached its map of the Murrieta Window Area showing the parcels that remain to become eligible to be physically connected. See Attachment 1. There appear to be discrepancies between the Figure 2-3 and Metropolitan's map. Again, these discrepancies should be reconciled.

We appreciate the opportunity to comment and look forward to working with you and Metropolitan's member agencies to address the gaps in Murrieta Window Area. Please feel free to contact Ethel Young at (213) 217- 7677 or eyoung@mw dh2o.com with any questions, or contact our Real Property mainline at (213) 217-7750 or Annexations@mw dh2o.com.

Sincerely,



Lilly L. Shraibati
Group Manager
Real Property Group

Attachments:

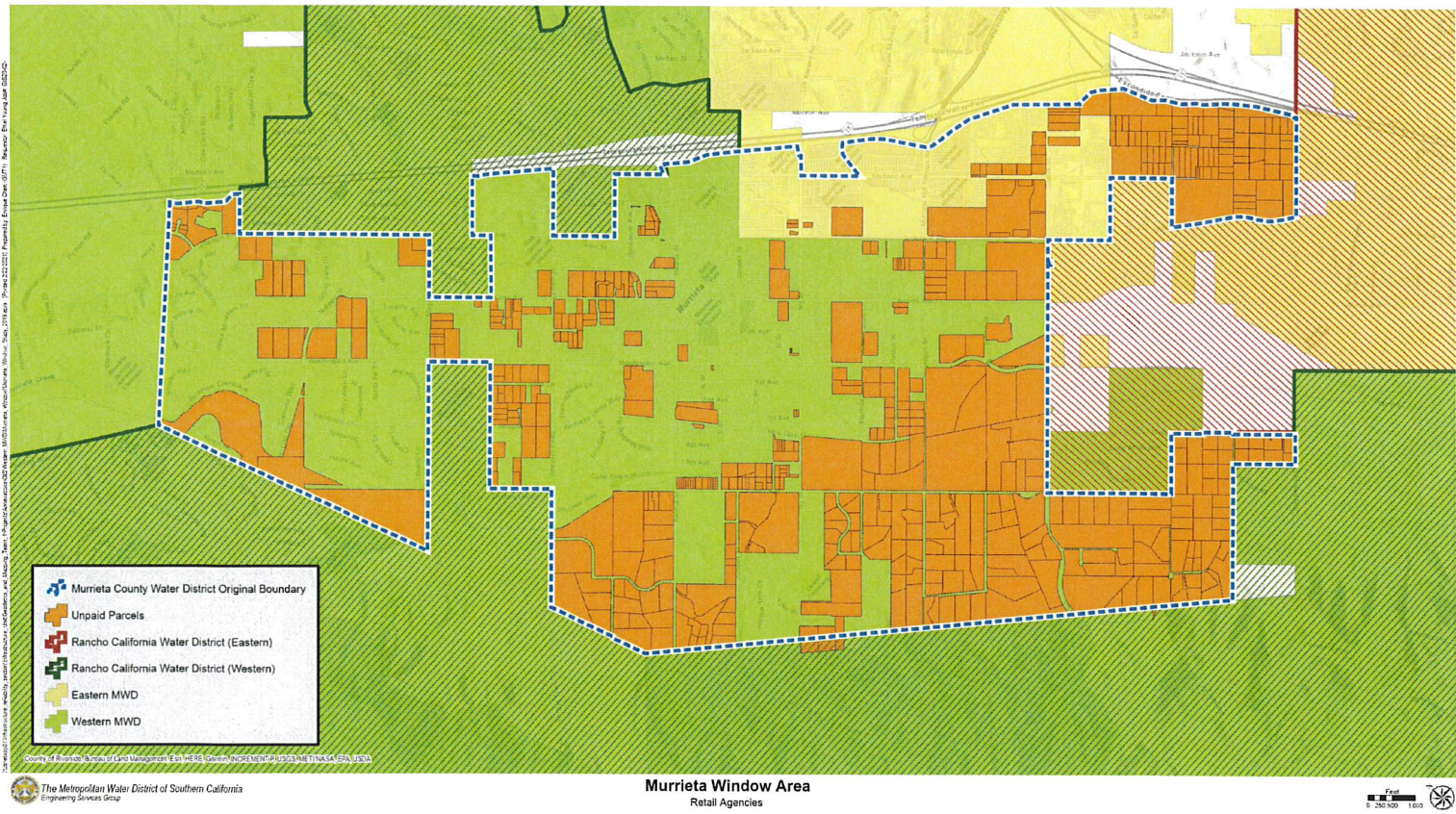
1. Map of unpaid parcels
2. Detailed Comments

Mr. Thompson
February 26, 2021
Page 6

cc: Derek Kawaii, WMWD
dkawaii@wmwd.com

Chris Teague, EMWD
teaguech@emwd.org

Attachment 1



Attachment 2

MWD LAFCO FMSR Comment Letter - Detailed Comments

Set forth below are Metropolitan's proposed detailed revisions to Section 2.2.2 of the Murrieta Focused MSR starting at page 22, both redlined and clean versions. Metropolitan respectfully requests that Riverside LAFCO incorporate these suggestions in the report and record.

Redline Revision

Imported water supply ~~from~~ to the Study Area is purchased wholesale from Metropolitan Water District (MWD) and delivered via ~~through~~ EMWD, at the Los Alamos Interconnection Point. ~~Service areas receiving~~ Areas annexing into MWD are annexed on behalf of one of MWD's 26 member agencies and must pay a MWD annexation fee of \$5,000 and an MWD Per-Acre Annexation Charge. The 2020 MWD Per-Acre Annexation Charge is \$6,151 per acre.

~~For most MWD customers, the Annexation Charge is paid in full aggregate for the entire service area, regardless of connection status. That is, when a service area is annexed into the MWD service area, parcels with existing water service connections pay the MWD Annexation Charge, and undeveloped parcels without water service also pay the MWD Annexation Charge.~~

The annexation policy of MWD requires an annexation processing fee and an annexation per-acre charge to be paid in full in advance for the entire area being annexed. However, MWD may waive with terms and conditions these fees and charges to prevent or to close a service "window" in an existing member public agency service area. The Murrieta Study Area largely consists of such a window area within two of MWD's member agencies, WMWD and EMWD.

~~With WMWD, the situation is different. In December 1999, an annexation agreement between MWD, EMWD, and WMWD, and the Murrieta County Water District and MWD was executed. This agreement specified that the Murrieta window area consisting of the entirety of the Murrieta County Water District, approximately 5.8 square miles, would be annexed into the MWD service area but only the portion of the Murrieta County Water District that has by charging a one-time annexation processing fee and allowing, over the twenty-five year term of the agreement, for unconnected parcels to pay the MWD Per-Acre Annexation Charge could in order to become eligible to be physically connected to receive imported water. from MWD.~~

~~As a result, there are portions~~ Approximately 2.9 square miles of the Study Area ~~that~~ have not yet paid the MWD Per-Acre Annexation Charge. In Figure 2-3, obtained from WMWD, portions of the Study Area that have not paid the MWD Annexation Per-Acre Charge are shown in yellow.

Section 11 of the 1999 Agreement states that the agreement shall be binding to successors, so for the purposes of this analysis, it is assumed that the 1999 Agreement would be assignable to either RCWD or EMWD. The need for some future development to pay the MWD Annexation Per-Acre Charges is the same under all Ownership Scenarios described in this report, and as a result, is not included in the quantitative financial analysis.

The 1999 agreement terminates in December 2024. ~~It is also assumed that regardless of the ownership scenario, the future owner will be able to extend the agreement.~~ The current outstanding Annexation Per-Acre Charge balance is approximately \$12M. ~~If the agreement is not extended, it is possible that MWD~~

~~would require the outstanding balance to be paid by the owner of the water system or~~ Under the agreement, if the balance has not been paid or other provisions for payment have not been made, for example, extension of the agreement, then MWD may pursue de-annex the detachment of unpaid parcels through LAFCO that haven't paid the Annexation Charge, regardless of which agency owned the water system.

The current number of service connections in the Study Area, summarized by meter size, can be seen in Table 2-1. The majority of the meters currently in the Study Area are ¾-inch meters that serve single family residential connections.

A large number of parcels in the Study Area are currently served by private wells. Therefore, land within the study area is classified as Developed-Served, if it currently has imported water service from the distribution system, Developed-Unserved, if it currently developed but provided service by private well, or Vacant, if the land is undeveloped and available for development in the future.

Clean Revision

Imported water supply to the Study Area is purchased wholesale from Metropolitan Water District (MWD) and delivered via EMWD, at the Los Alamos Interconnection Point. Areas annexing into MWD are annexed on behalf of one of MWD's 26 member agencies and must pay a MWD annexation fee of \$5,000 and a MWD Per-Acre Annexation Charge. The 2020 MWD Per-Acre Annexation Charge is \$6,151 per acre.

The annexation policy of MWD requires an annexation processing fee and an annexation per-acre charge to be paid in full in advance for the entire area being annexed. However, MWD may waive with terms and conditions these fees and charges to prevent or to close a service "window" in an existing member public agency service area. The Murrieta Study Area largely consists of such a window area within two of MWD's member agencies, WMWD and EMWD.

In December 1999, an annexation agreement between MWD, EMWD, WMWD, and the Murrieta County Water District was executed. This agreement specified that the Murrieta window area consisting of the entirety of the Murrieta County Water District, approximately 5.8 square miles, would be annexed into the MWD service area by charging a one-time annexation processing fee and allowing, over the twenty-five year term of the agreement, for unconnected parcels to pay the MWD Per-Acre Annexation Charge in order to become eligible to be physically connected to receive imported water.

Approximately 2.9 square miles of the Study Area have not yet paid the MWD Per-Acre Annexation Charge. In Figure 2-3, obtained from WMWD, portions of the Study Area that have not paid the MWD Annexation Per-Acre Charge are shown in yellow.

Section 11 of the 1999 Agreement states that the agreement shall be binding to successors, so for the purposes of this analysis, it is assumed that the 1999 Agreement would be assignable to either RCWD or EMWD. The need for some future development to pay the MWD Annexation Per-Acre Charges is the same under all Ownership Scenarios described in this report, and as a result, is not included in the quantitative financial analysis.

The 1999 agreement terminates in December 2024. The current outstanding Annexation Per-Acre Charge balance is approximately \$12M. Under the agreement, if the balance has not been paid or other provisions for payment have not been made, for example, extension of the agreement, then MWD may pursue the

detachment of unpaid parcels through LAFCO that haven't paid the Annexation Charge, regardless of which agency owned the water system.

The current number of service connections in the Study Area, summarized by meter size, can be seen in Table 2-1. The majority of the meters currently in the Study Area are ¾-inch meters that serve single family residential connections.

A large number of parcels in the Study Area are currently served by private wells. Therefore, land within the study area is classified as Developed-Served, if it currently has imported water service from the distribution system, Developed-Unserved, if it currently developed but provided service by private well, or Vacant, if the land is undeveloped and available for development in the future.

Murrieta FMSR Comments - Response to Comments

Comment Submittal #18- Recv'd- 2/26/21- Eastern Municipal Water District

See Attached Letter and Comment "A"- General Comments
See Attached Letter and Comment "B"- Key Parameters & Comparisons- Ownership Scenarios-Table ES-1, P.9
See Attached Letter and Comment "C"- Executive Summary- Total Cost to Ratepayers- P.11
See Attached Letter and Comment "D"- Executive Summary- Total Cost to Ratepayers- P.12
See Attached Letter and Comment "E"-Comparison of CFD/AD Activity- Table 8-25, P.111
See Attached Letter and Comment "F"- Figure 2-1, P.19, and Appendix C.
See Attached Letter and Comment "G"- General Comment

Response to Comment

Comments Noted.
The connection fee comparison is for a 2" water meter. Regardless of the average water consumption for existing customers in Study Area, a comparison of connection fees for a 2" water meter is provided. No change in the connection fee comparison is proposed. It should also be noted that footnote (g) in Table ES-1 provides the context requested by EMWD.
EMWD has revised how it allocates water supply costs to the Study Area. This revision significantly reduces EMWD's allocation of water supply costs to the Study Area during the period when the Acquisition Balance is being paid off. EMWD's revision is a revision to its policy direction, compared with the policy direction provided during the preparation of the report. The revision in the policy direction is noted. No change in the FMSR is made to reflect this revised policy direction. Please see the response to LAFCO comments (reference: comment on page 117) for clarification of how policy direction was incorporated into the FMSR.
The comparison of the total cost to ratepayers uses the average water consumption for commercial customers with 2" water meters in the Study Area. EMWD's comment that the water consumption patterns for commercial customers with 2" water meters in EMWD's Service Area differs from the Study Area is noted. No change in the total cost to ratepayers comparison is proposed.
Comment noted. The data in the table reflects the depth of each agencies experience. LAFCO feels further elaboration is not necessary beyond the presented data.
Maps have been revised for clarity and incorporated in the Errata Document.
Comment Noted.



February 24, 2021

Mr. Gary Thompson
Riverside LAFCO
6216 Brockton Avenue, Suite 111-B
Riverside, CA 92506

Subject: Murrieta Focused Municipal Service Review (FMSR) Final Report

Dear Mr. Thompson:

Eastern Municipal Water District (EMWD) is in receipt of the Murrieta FMSR Final Report prepared by West Yost Associates for the Riverside Local Agency Formation Commission (LAFCO).

Over the past two years, LAFCO has engaged the community and various stakeholders including EMWD, Rancho California Water District, Western Municipal Water District, and the City of Murrieta ("participating agencies") to develop and complete a thorough analysis of future water service alternatives for the study area. We appreciate LAFCO's goal to provide information in the FMSR that will allow the residential and business communities along with the City of Murrieta to determine the optimum water service provider. We also commend LAFCO's efforts to solicit input from the stakeholders and the participating agencies throughout each step of the FMSR development process.

As part of the initial development of the FMSR framework, LAFCO established consensus among the participating agencies on a common approach and set of assumptions that enabled a fair evaluation and comparison of financial, infrastructure, and governance issues associated with each so-called Ownership Scenario. The approach agreed upon by the stakeholders helped ensure an independent comparative analysis and formed the basis for the findings presented in the FMSR Final Report.

EMWD supports the overarching findings of the FMSR Final Report based on the analysis performed for each Ownership Scenario. We appreciate the opportunity to offer the following final comments for LAFCO's consideration and note our comments do not conflict with the findings of the study but are instead provided to further illuminate and explain information presented in the FMSR Final Report.

Board of Directors
Philip E. Paule, President Randy A. Record, Vice President Jeff Armstrong Stephen J. Corona David J. Slawson

2270 Trumble Road • P.O. Box 8300 • Perris, CA 92572-8300

T 951.928.3777 • F 951.928.6177 www.emwd.org

1. Table ES-1, Key Parameters and Comparison of Ownership Scenarios, Page 9: footnote (g) states "A 2-inch meter is shown for comparative purposes. Separately, in the example Total Cost to Ratepayers calculation, a customer with a 2-inch water meter and water consumption of 125 ccf/month is used for comparison. EMWD noted that this customer with water consumption of 125 ccf/month would likely require a 1.5-inch water meter. EMWD's Connection Fee for a 1.5-inch meter is \$27,505". Table ES-1 should reflect the correct figure of \$27,505 for the Connection Fee Comparison presented. B

2. Executive Summary (ES), Page 11, Total Cost to Ratepayers: Figure ES-1 presents a comparison of each Ownership Scenario Total Cost to Ratepayers for single-family residence. It is noted that "After EMWD's Acquisition Balance is paid off (expected to be after FY 29-30), the total cost of water for the single-family residential example would decrease further." To better represent the timing and amount of the further decrease in the Total Cost to Ratepayers beyond FY 29-30, please see attached Exhibit A. C

3. Executive Summary (ES), Page 12, Total Cost to Ratepayers: Figure ES-2 presents a comparison of Total Cost to Ratepayers for Commercial accounts. It is stated that "It should be noted that EMWD believes its rate structure and policies may result in further commercial conservation. EMWD provided records for commercial connections nearest the Murrieta Study Area which indicated an average of 59 CCF/month for similar 2-inch water meters. Based on the EMWD data, the overall cost of the representative commercial connection would decrease due to the lower volume." To more accurately represent the lower Total Cost to Ratepayers for Commercial accounts under an EMWD Ownership Scenario, please see attached Exhibit B. D

4. Comparison of CFD and AD Activity, Table 8-25, Page 111: The table presents a comparison CFD and AD activity among the agencies but does not explain the benefits and relevance of the information as it pertains to each agencies' capacity and willingness to implement this financing mechanism for infrastructure improvements by developers. The advantages of EMWD's extensive experience with CFD and AD formation and sponsorship and its benefit to the development community should be more thoroughly explained in the FMSR report. E

5. Figure 2-1, Page 19: The exhibit does not accurately reflect EMWD's boundary which extends to Jefferson Avenue per LAFCO No. 2000-13-1 and completed per resolution No. 3417. Additionally, all remaining exhibits that reflect EMWD's current boundary and sphere of influence (Appendix C) need to be revised to reflect the correct boundaries. The F

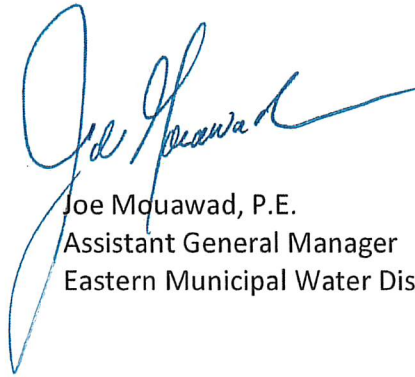
boundary between WMWD and EMWD appears to overlap for one square mile along the east edge of Jefferson Avenue. | F

Again, we appreciate the professional work of LAFCO and its consultants in completing the FMSR Final Report and the opportunity to provide input throughout the process. We look forward to working with LAFCO and the other stakeholders on this matter in the future. If you have any questions or need any additional information, please do not hesitate to contact us. | G

Sincerely,



Paul D. Jones II, P.E.
General Manager
Eastern Municipal Water District



Joe Mquawad, P.E.
Assistant General Manager
Eastern Municipal Water District

c: Mr. Ivan Holler, City of Murrieta

Attachments:

Exhibit A

Exhibit B

Exhibit A

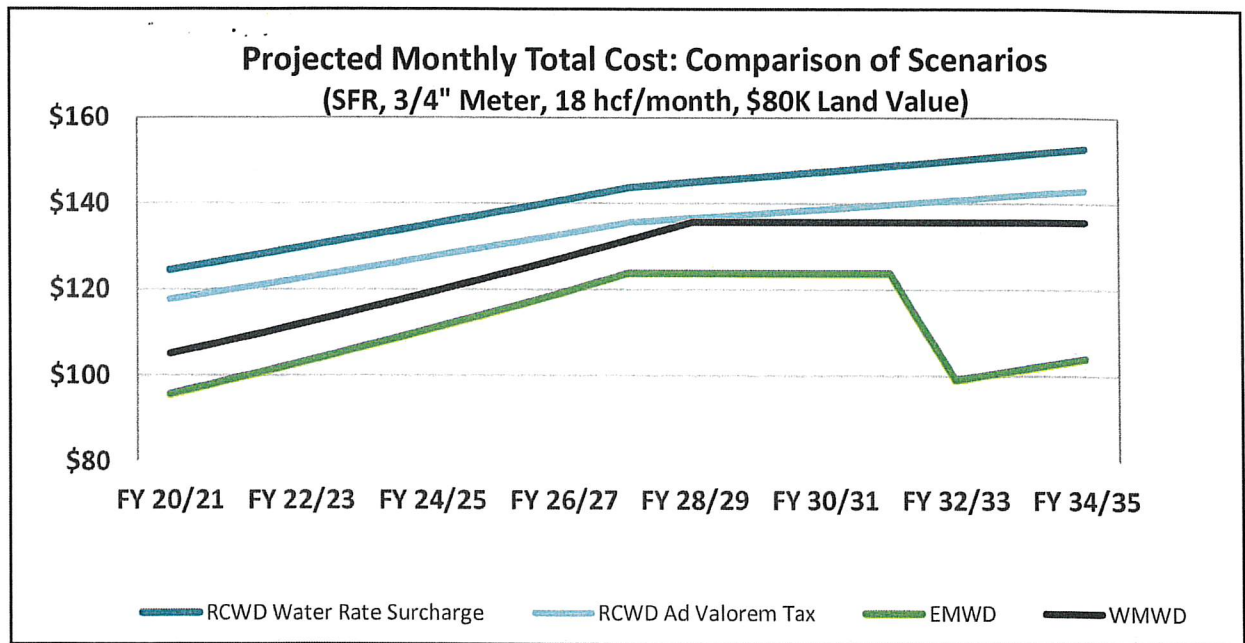


Exhibit B

