

September 24, 2018

The Riverside Local Agency Formation Commission (LAFCO) is seeking proposals from experienced consultants with demonstrated expertise in the analysis of water and wastewater services, including analysis of infrastructure requirements, facility financing and retail service rates.

Responses must be received by 5:00 p.m. Monday, October 29, 2018 either electronically or as hard copies in accordance with Section X. of the Request for Proposals. Confirmation of receipt is the responsibility of the sender.

REQUEST FOR PROPOSALS FOR A FOCUSED WATER MUNICIPAL SERVICE REVIEW MURRIETA AREA

The Riverside Local Agency Formation Commission (LAFCO) is soliciting proposals from qualified consultants to prepare a detailed service review of retail water service in a portion of the City of Murrieta in Riverside County.

REQUEST FOR PROPOSALS FOR A FOCUSED MUNICIPAL SERVICE REVIEW OF WATER SERVICE IN THE PORTION OF MURRIETA CURRENTLY SERVED BY THE WESTERN MUNICIPAL WATER DISTRICT

I. Objective and Study Area

To conduct a Focused Municipal Service Review (FMSR) that will inform the Local Agency Formation Commission (LAFCO), local water purveyors, the City of Murrieta and the public, regarding the most effective and efficient method of providing water service to the “Study Area”.

The “Study Area” is comprised of three non-contiguous sub-areas: Murrieta (approx. 8 sq. mi.), Rainbow (approx. 545 acres) and Rock Mountain (approx. 1,355 acres). The three areas are shown on Attachment A-2. That exhibit also depicts the general district boundaries/wholesale water territories of Western Municipal Water District (Western or WMWD) and Eastern Municipal Water District (Eastern or EMWD). The most developed and complex of the three areas is the Murrieta Study Area, the boundaries of which are shown in greater detail in Attachment A-3. Attachment A-1 depicts the current complex service pattern within and adjacent to the Murrieta Study Area.

Depending on the resulting recommendations, the analysis will be the basis for proposed changes in the boundaries of public water districts. The work is to be performed in accordance with applicable California Government Code provisions and Riverside LAFCO policies and procedures. The analysis must present information that will allow LAFCO to make determinations as specified in Government Code Section 56430.

II. About the City of Murrieta

The City of Murrieta is located in Southwest Riverside County, and is located to the north of Temecula, southwest of Wildomar, south of Menifee and unincorporated Riverside County areas to the west, east and north.

Murrieta was incorporated in 1991 as a general law city. The incorporated City limits encompass approximately 33 square miles and the City has a current population of approximately 115,000. Murrieta has a Council/Manager form of government, with the City Manager reporting to a five-member City Council. In November of 2018, the City will transition to district elections for members of the City Council.

III. Background

LAFCO: In 1963, the State Legislature established Local Agency Formation Commissions (LAFCOs) in each county to help direct and coordinate California's growth in a logical, efficient and orderly manner. LAFCOs are local public regulatory and planning bodies with specific authority to coordinate the orderly development of local agencies, such as cities and special districts, and associated provision of public services. This is accomplished primarily through the regulation of public agency boundaries. This authority extends to approximately 151 public agencies in Riverside County (28 cities, 62 dependent special districts and 61 independent special districts). Periodic comprehensive analyses, such as municipal service reviews (MSRs) help guide these decisions. LAFCO is currently conducting a Countywide Municipal Service Review on water and wastewater services. Due to the geographic scope and number of agencies involved, the larger countywide effort is being carried out at a general level rather than a detailed analysis sought in the proposals to this request. As indicated elsewhere in this RFP and the attached Scope of Services, a focused, detailed analysis is required to address water service issues in a localized area.

City of Murrieta: Murrieta and surrounding incorporated and unincorporated areas in Southwestern Riverside County have seen tremendous growth over the past three decades. The City provides a wide range of municipal services; however, water and wastewater services are not among these. Retail water and wastewater services are provided by four different independent special districts in different parts of the City. These Districts, and their respective boundaries, predate the incorporation of the City.

Western Municipal Water District (WMWD): WMWD is a large independent special district that provides both wholesale and retail water (generally limited to retail potable water in the Study Area), as well as wastewater service (wastewater treatment for most of the Murrieta Retail Area is provided through a JPA consisting of EVMWD, RCWD & WMWD). Until 2005, WMWD's retail service was mostly within the northwestern portion of the County in and around the City of Riverside as well as a very small area south and southwest of Rancho California Water District (referred to as Rainbow and Rock Mountain). In 2005, Riverside LAFCO dissolved the Murrieta County Water District (MCWD), which had provided service to a six square mile area in Murrieta. WMWD was named as the successor agency and assumed the assets, obligations and services of MCWD. Additional information related to the dissolution of MCWD is attached as Attachment D.

Eastern Municipal Water District (EMWD): EMWD is another large independent special district providing wholesale and retail water (potable and recycled water adjacent to the Murrieta Retail Area), wastewater and recycled water service to seven cities and unincorporated county territory, including a portion of the City of Murrieta northeast of the Murrieta Retail Area. Both WMWD and EMWD are member agencies of, and receive imported water from, the Metropolitan Water District of Southern California. Its retail water, wastewater and recycled water service area is adjacent to the Murrieta

Retail Area on the northeast and its wholesale water and sewer service area extends within the Murrieta Retail Area. EMWD supplies wholesale water to WMWD's Murrieta service area. Also, EMWD conveys and treats wastewater from 74 connections within the Murrieta Retail Area.

Rancho California Water District (RCWD): RCWD provides retail water (potable and recycled water adjacent to the Study Area) and wastewater service to the areas within the Cities of Temecula and Murrieta and surrounding unincorporated communities. Its retail water service area surrounds the Murrieta Retail Area on three sides. RCWD acquires its imported water through service connections with EMWD and WMWD. RCWD also has water transmission infrastructure within the Murrieta Retail Area and currently provides contract services to WMWD's Rainbow and Rock Mountain Service Areas.

Elsinore Valley Municipal Water District (EVMWD): EVMWD provides retail water (only potable water adjacent to the Murrieta Retail Area) and wastewater service to the northern portion of the City of Murrieta and is adjacent to a smaller area of the Murrieta Retail Area. EVMWD acquires its imported water through service connections with WMWD and EMWD.

Property owners and developers seeking to construct projects on the vacant lands within the service area that WMWD acquired from MCWD have voiced concerns and contend that there are service issues that have arisen since the dissolution of MCWD that require a detailed evaluation of the current service configuration. The study area includes existing residential and non-residential customers as well as significant amounts of vacant developable land. More details are provided in the attached Scope of Services.

IV. Scope of Services

The Consultant shall provide the technical expertise and administrative management to complete the FMSR for the "Study Area." A draft Scope of Services is included with this RFP as Attachment B. A final scope of services will be negotiated and possibly modified with the firm selected to conduct the service review and will be included as part of the professional services agreement.

V. Budget

LAFCO and participating agencies have limited resources to devote to the many MSRs to be conducted over the next few years. **Proposals that demonstrate that the final product will meet the requirements of this RFP and provide useful information in a concise format at a low cost will be looked upon most favorably.** A final budget amount for this project will be negotiated with the firm selected for the work prior to execution of an agreement.

VI. Proposal Requirements

Responses to this RFP must include all of the following:

1. A statement about the firm that describes history, as well as the competencies and resumes of the project manager and lead professionals who will be involved in the work. This statement should address the following:
 - Expertise in various aspects of water service provision, including supply, quality, delivery, recycled water, demand projection, water conservation and stewardship, groundwater recharge and pumping, storm-water runoff, etc.
 - Expertise in water infrastructure analysis, required capacity, water supply economics, rate and rate structure analysis, cost of service analysis, and funding/financing options.
 - Experience in water and wastewater service organization analysis, including evaluating government structure options and related advantages and disadvantages of these options.
 - Experience in governmental organization analysis, including performance measurement and evaluation.
 - Ability to present information in an organized format, understandable by professionals and laypersons.
 - Ability to facilitate and synthesize input from stakeholders.
 - Familiarity with public input processes and experience presenting and disseminating public information for review and comment in a public setting.
 - Experience in identifying and fostering multi-agency partnerships and cooperative problem-solving.
 - Ability to provide flexible and creative alternatives where necessary to resolve service and policy issues.
 - Ability to work cooperatively with divergent interests.
2. Identification of any sub-consulting firms who will be involved. If sub-consultant firms are proposed, describe the work they will perform and include the same information for each sub-consultant as required for item 1 above.
3. Documentation of similar or related experience accomplished in the last five years and references for each such project, including the contact name, address and telephone number. Electronic copies of, or links to, such analyses must be provided.
4. Description of the anticipated approach for this project, explicitly discussing and identifying any suggested changes to the Draft Scope of Services (Attached).

5. Disclosure of potential conflicts of interest with the water districts involved with the study, the City of Murrieta and / or landowners or developers in Riverside County that have an interest in the Study Area.
6. Provide a preliminary project schedule showing start and ending times for each major work task and associated deliverables and indicate strategies for adhering to the schedule.
7. The anticipated project cost, including:
 - a. A not-to-exceed total budget amount.
 - b. The cost for each major sub-task identified in the draft scope of services.
 - c. The hourly rates for each person who will be involved in the work, including the rates for any associate consultants.

VII. Non-Discrimination & Equal Opportunity

CONTRACTOR shall not discriminate in the provision of services, allocation of benefits, accommodation in facilities, or employment of personnel on the basis of ethnic group identification, race, religious creed, color, national origin, ancestry, physical handicap, medical condition, marital status or sex in the performance of this Agreement; and, to the extent they shall be found to be applicable hereto, shall comply with the provisions of the California Fair Employment and Housing Act (Gov. Code 12900 et. seq), the Federal Civil Rights Act of 1964 (P.L. 88-352), the Americans with Disabilities Act of 1990 (42 U.S.C. S1210 et seq.) and all other applicable laws or regulations.

VIII. Conflict of Interest

Proposers warrant and covenant that no official or employee of the Riverside LAFCO, nor any business entity in which an official of the Riverside LAFCO has an interest, has been employed or retained to solicit or aid in the procuring of the resulting contract, nor that any such person will be employed in the performance of such contract without immediate divulgence of such fact to the Riverside LAFCO. Proposers will notify LAFCO of any potential conflict of interest regarding other work or third-party contracts.

IX. Insurance Requirements

The chosen consultant will be required to comply with the LAFCO standard insurance provisions for professional services agreement. Contact Riverside LAFCO for more details.

Evidence of Insurance - Before commencing any operations under the contract, the successful proposer shall furnish the Riverside LAFCO with a Certificate of Insurance and copies of all applicable endorsements evidencing compliance with the above insurance requirements and that such insurance will not be canceled or materially changed without thirty (30) days advance written notice.

X. Proposal Submittal

Confirmation of receipt is the responsibility of the sender. Proposals received after the deadline will not be considered. Responses may be emailed to info@lafco.org or delivered to our office at the following address:

DUE DATE:

Completed responses must be received by 5:00 p.m., Monday, October 29, 2018.

DELIVER TO: (please note LAFCO is in the process of relocating its office; take note of the dates below.)

Prior to October 10, 2018:

Riverside LAFCO
Attn: George Spiliotis, Executive Officer
3850 Vine Street, Suite 240
Riverside, CA 92507

On or after October 10, 2018:

Riverside LAFCO
Attn: George Spiliotis, Executive Officer
6216 Brockton Av., Suite 110
Riverside, CA 92506

Note: If delivery is to be in person, please first call the LAFCO office (951) 369-0631 to arrange a delivery time.

- Each proposal shall be submitted in a sealed envelope that is clearly marked with the title of the RFP.
- If submitting only hard copies, five copies are required.
- All proposals will become property of the Riverside LAFCO.
- Cost of preparation of proposals shall be borne by the proposers.
- Proposals shall be signed by an authorized employee or officer in order to receive consideration.
- Riverside LAFCO is not responsible for proposals delivered to a person/location other than that specified herein.

XI. Selection Process

Based on relevant work experience, the completeness of the responses, cost and the overall project approach identified in the proposals received, up to four firms will be selected for follow-up interviews. Tentatively, interviews will be scheduled three to four weeks following submittal of proposals.

The selection committee may use some or all of the criteria listed below to evaluate the proposals. Additional criteria may be used. At the discretion of the selection committee, additional information may be requested to clarify and explain proposals.

- *Applicability of overall experience and qualifications relating to required services.*
- *Evaluation of quality and comparability of previous related work products on which the proposer was the sole or lead consultant.* Successful recent related experience is highly desirable. Successful experience is defined as that which was completed to the satisfaction of the client, on time and within budget.
- *Cost.* Proposals that demonstrate that the final product will best meet the requirements outlined in the Scope of Services and provide requisite information and recommendations in a concise format at a low cost will be looked upon favorably. A final budget will be negotiated with the selected firm.

Riverside LAFCO reserves the right to award a contract to the firm(s) that presents the proposal which, in the sole judgment of Riverside LAFCO, best accomplishes the desired results.

Riverside LAFCO reserves the right to not proceed with the project, to reject any or all proposals, to waive minor irregularities in said proposals, or to negotiate deviations with the successful firm.

After the award of the contract, the Riverside LAFCO may revise the work program to meet budget constraints.

XII. Tentative Schedule

A preliminary schedule must be provided pursuant to Section VI.6 of this RFP. Timing is a concern to LAFCO and the participating agencies. It is strongly desired that the requested analysis and associated recommendations be completed within six months of execution of a professional services agreement. The final overall schedule for this project will be negotiated with the firm selected for the work prior to an agreement being recommended to LAFCO for adoption.

XIII. LAFCO Contact

George Spiliotis, Executive Officer
Riverside LAFCO
3850 Vine St. Suite 240
Riverside, CA 92407

(951) 369-0631
Email: info@lafco.org

XIV. Attachments

- A. Maps of Study Area Boundaries
- B. Draft Scope of Services

XV. Reference Information

For general information about LAFCOs, visit the CALAFCO website: www.calafco.org

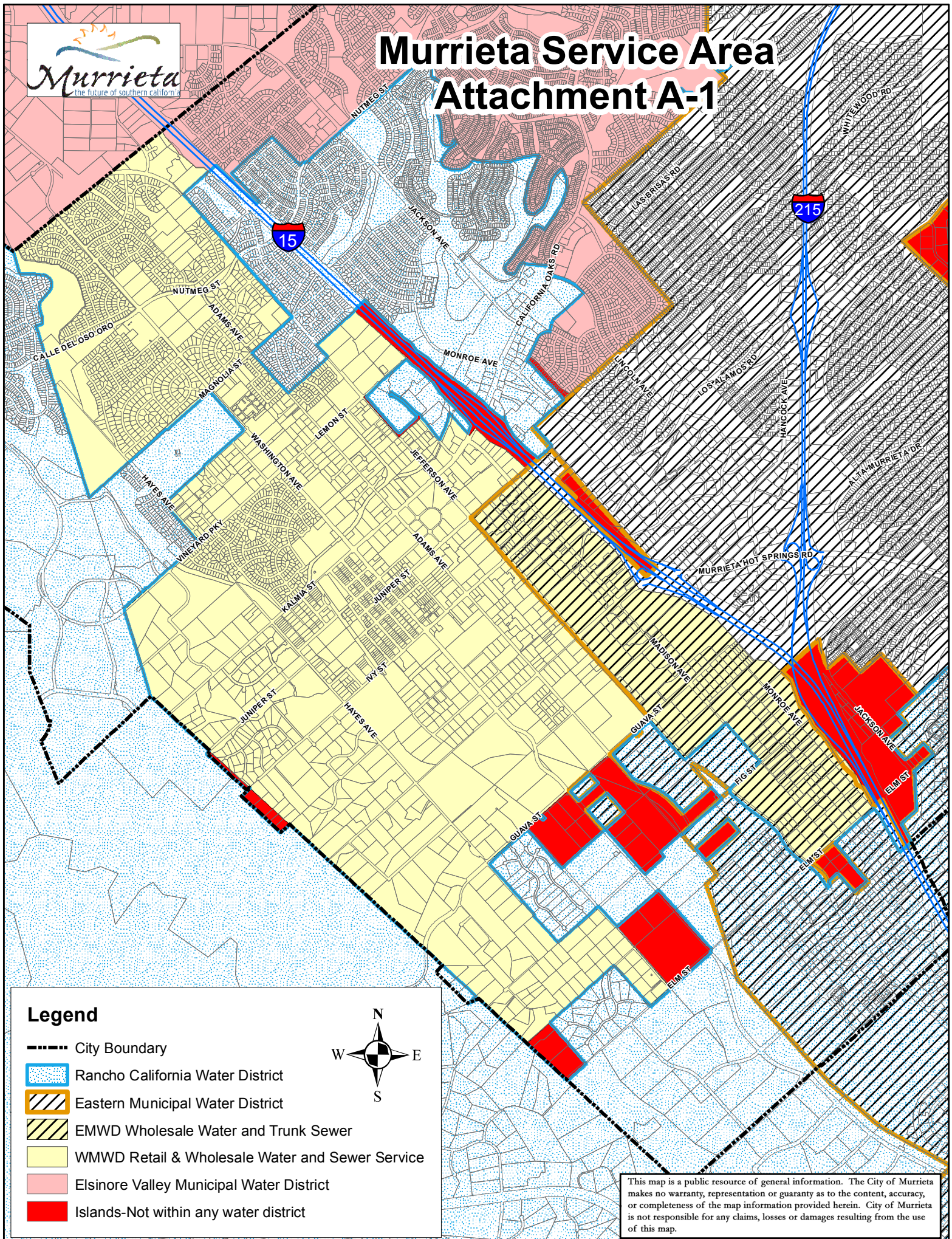
For information about Riverside LAFCO along with previously completed MSRs, please visit our website: www.lafco.org

ATTACHMENT A
Study Area Boundary Maps

A-1: Murrieta Retail Area
A-2: Murrieta Service Area
A-3: Rainbow and Rock Mountain Service Area



Murrieta Service Area Attachment A-1



Legend

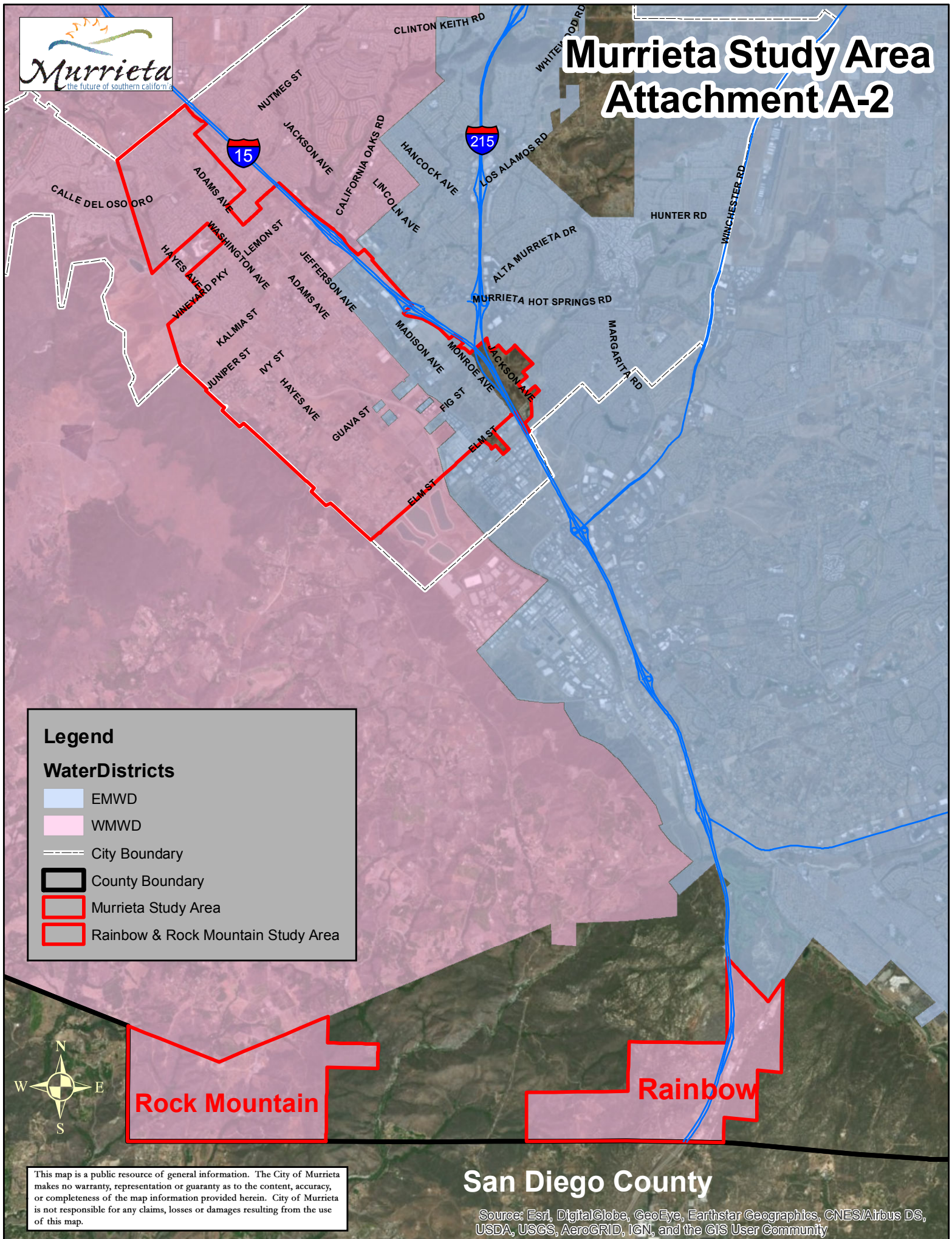
- City Boundary
- Rancho California Water District
- Eastern Municipal Water District
- EMWD Wholesale Water and Trunk Sewer
- WMWD Retail & Wholesale Water and Sewer Service
- Elsinore Valley Municipal Water District
- Islands-Not within any water district



This map is a public resource of general information. The City of Murrieta makes no warranty, representation or guaranty as to the content, accuracy, or completeness of the map information provided herein. City of Murrieta is not responsible for any claims, losses or damages resulting from the use of this map.



Murrieta Study Area Attachment A-2



Legend

WaterDistricts

- EMWD
- WMWD
- City Boundary
- County Boundary
- Murrieta Study Area
- Rainbow & Rock Mountain Study Area



Rock Mountain

Rainbow

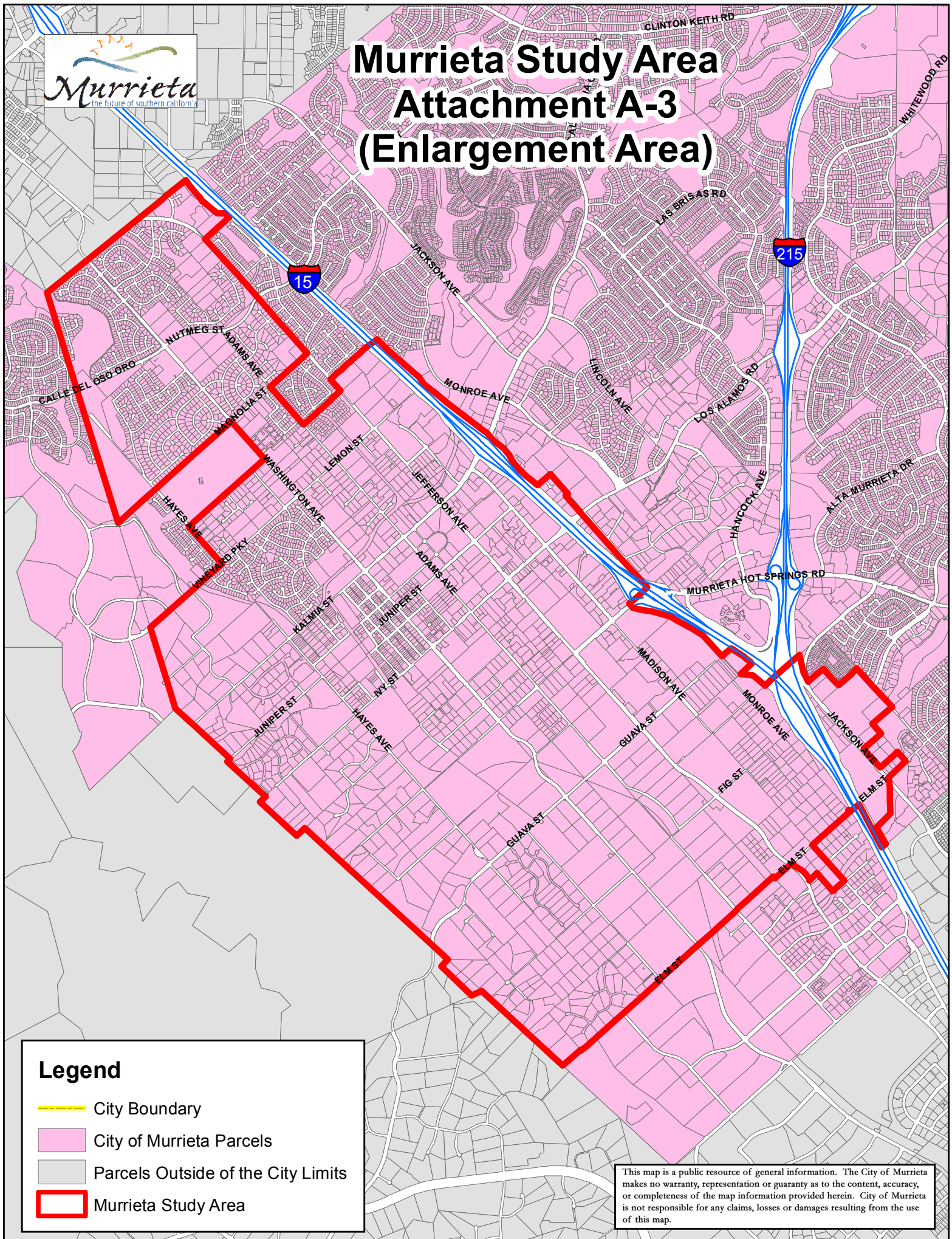
San Diego County

This map is a public resource of general information. The City of Murrieta makes no warranty, representation or guaranty as to the content, accuracy, or completeness of the map information provided herein. City of Murrieta is not responsible for any claims, losses or damages resulting from the use of this map.

Source: Esri, DigitalGlobe, GeoEye, Earthstar Geographics, CNES/Airbus DS, USDA, USGS, AeroGRID, IGN, and the GIS User Community



Murrieta Study Area Attachment A-3 (Enlargement Area)



Legend

- City Boundary
- City of Murrieta Parcels
- Parcels Outside of the City Limits
- Murrieta Study Area

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ATTACHMENT B

Draft Scope of Services

The Consultant shall provide the technical expertise and administrative management to complete the FMSR for the “Study Area” shown in Attachments A-1, A-2 and A-3. The project consists of three distinct topic areas; 1) Supply / Infrastructure, 2) Finance / Operations / Service / Cost, and 3) Service Area Boundaries. A more detailed description of the project effort and the deliverables is provided below:

Data Gathering and Document Review

- Collect and review applicable water agency documents for relevant information about current services, facilities, and operations. Attachment C includes a list of anticipated documents that will be available for review.

Supply / Infrastructure Analysis

- Evaluate existing and future water demands for residential, commercial, industrial, and institutional uses in the Study Area based on the City's adopted General Plan and Downtown Specific Plan. This should include those portions of the Study Area that are currently served by private wells that may require municipal water service in the future.
- Evaluate existing water supply sources and production capacity, water quality, reliability and cost. Existing sources of municipal water supply includes both wells and imported water.
- Determine the capacity and condition of existing water transmission and distribution system facilities and storage reservoirs to accommodate current and future demands. The condition of the existing above ground system facilities will be made through visual observations. The condition of the existing below ground systems facilities will consider the age of the facilities and remaining useful life.
- Determine municipal water system operating capabilities such as pressure and fire flow. Fire flow should be based on the requirements published by Murrieta Fire and Rescue.
- Determine the additional water supply needs (if any) for future development in the Study Area based on the City's adopted General Plan and Downtown Specific Plan. This should include the analysis listed above for lands that are currently served by private wells but that may require municipal water service where further subdivision occurs to the extent allowed by the General Plan. In addition, where four-story mixed-use development is allowed in the Downtown Specific Plan the analysis should include fire flow rates for development at that intensity. Include recycled water for non-potable uses if available.
- Determine the future requirements for transmission, distribution and storage infrastructure based on the City's adopted General Plan and Downtown Specific Plan based on the future demand analysis listed above. Future infrastructure

requirements should include the replacement or refurbishment of any existing, sub-standard infrastructure.

- Analyze the available water supply sources, and transmission, distribution, and storage capacity of adjacent agencies, including the Rancho California Water District (RCWD), Eastern Municipal Water District (EMWD), and Elsinore Valley Municipal Water District (EVMWD) and determine whether they are adequate to serve both the existing and future needs of the Study Area. Any discrepancies in sizing or design criteria between the agencies should be noted in the analysis.
- Develop a preferred water system infrastructure plan to serve existing and future water demands in the Study Area.
- Preferred water system infrastructure plan shall consider integration and alignment with areas surrounding Study Area including accommodation of service area “islands” or “holes” located in vicinity of Study Area.

Deliverables

A combination of maps, exhibits, engineering calculations and reports to adequately respond to the tasks in the Supply / Infrastructure section above.

Assumptions

The City of Murrieta will provide electronic and hard copies of the adopted General Plan and Downtown Specific Plan. EMWD, EVMWD, WMWD, RCWD will provide electronic maps of their respective, existing infrastructure facilities, as well as future master plans. Electronic copies of each agency’s hydraulic models will also be made available.

Finance / Operations / Service / Cost Analysis

- Provide a financial analysis of water supply and infrastructure costs to serve existing needs and future development. Such an analysis should also address the cost of existing infrastructure replacement and/or refurbishment as required.
- Research infrastructure financing capabilities, mechanisms, and costs. Document operation and maintenance costs and accompanying rates and charges for residential, commercial, industrial and institutional customers. A cost of service analysis will be necessary for each prospective agency that may be considered to assume the responsibilities of retail water service for Western’s Murrieta Division. Western completed a cost of service study specific to the Murrieta Division in 2017 and will make the report available to the selected consultant.
- Evaluate the Districts’ ability to respond to emergency repairs and customer calls for service.

Deliverables

A combination of reports and calculations to adequately respond to the tasks in the Finance / Operations / Service section above.

Assumptions

EMWD, EVMWD, WMWD, RCWD will provide information describing any known deficiencies or deferred maintenance for infrastructure facilities as well as current rate structures for residential, commercial, industrial and institutional customers.

Service Area Boundaries Analysis

- Review and recommend logical water agency service areas and sphere of influence boundaries and eliminate any “islands” or “holes” in and adjacent to the Study Area.
- Where feasible, align retail water and sewer service areas.
- As needed, identify where annexation of specific areas into the Metropolitan Water District of Southern California is required to allow access to imported water as well as the required annexation fees needing to be paid by property owners.

Deliverables

A combination of maps, exhibits, and reports to adequately respond to the tasks in the Service Area Boundaries section above.

Assumptions

LAFCO, EMWD, EVMWD, WMWD, RCWD will provide electronic files of existing boundaries and areas that have not been annexed into a water district.

Summary Report and Recommendations-Deliverables

The Consultant will provide a Summary Report and recommendation(s) based on the information derived from the tasks described above as to which agency or agencies would be the best long-term water service provider for lands contained in the “Study Area.” The analyses and recommendations must take into consideration and describe the impacts on owners of vacant land, developers and existing customers. An electronic copy and six hard copies of the Summary Report are required.

ATTACHMENT C

The following documents will be made available for review. The consultant may identify additional documents or reports necessary to conduct the assessment.

City of Murrieta

- General Plan;
- Downtown Specific;

Western Municipal Water District (WMWD)

- Transition Agreement Between Western Municipal Water District and Murrieta County Water District, June 2, 2005;
- Amended and Restated Transition Agreement Between Western Municipal Water District and Murrieta County Water District, August 7, 2005;
- WMWD Murrieta Water Master Plan Report 2014, Albert A. Webb Associates (2014 Master Plan);
- WMWD Murrieta Water Master Plan Report – 2018 Update, West Yost, Summer 2018;
- WMWD Murrieta Service Area Demand Projections Through 2040, October 2017, Kennedy/Jenks Consultants (Murrieta Demand Projections);
- WMWD Murrieta Service Area Build-Out Projections, February 2018, Kennedy/Jenks Consultants (Murrieta Build-Out Projections);
- WMWD Water Wheeling Hydraulic Analysis Technical Memorandum, September 7, 2017, Rancho California Water District (Rancho Water Wheeling Hydraulic Analysis);
- Elsinore Valley Municipal Water District Water Wheeling Hydraulic Analysis, February 2018, Carollo Engineers, Inc. (Elsinore Water Wheeling Hydraulic Analysis);
- Jefferson Avenue Business Corridor – Hydraulic Analysis, July 6, 2017, Albert A. Webb Associates (Jefferson Avenue Hydraulic Analysis);
- Murrieta Comprehensive Water Rate Study Report (Cost of Service Study), August 17, 2017, Raftelis Financial Consultants, Inc.;

Eastern Municipal Water District (EMWD)

- 2015 Water Facilities Master Plan Update

- 2017 Cost of Service and Rate Study
- 2006 Agreement Between EMWD and WMWD Regarding Rights and Obligations in Murrieta County Water District
- 2007 Interagency Agreement for EMWD / WMWD Intertie Connections
- 2002 EMWD / MCWD Interconnection Facilities in Los Alamos

Attachment D

DOC # 2005-0849784
10/14/2005

Conformed Copy

Has not been compared with original

Larry W Ward
County of Riverside
Assessor, County Clerk & Recorder

CERTIFICATE OF COMPLETION STOP#1030

Pursuant to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000; Sections 57200 et seq. this Certificate is hereby issued by the Executive Officer of the Local Agency Formation Commission of Riverside County, California.

1. Short-form designation, as designated by LAFCO is 2005-56-3
2. The name of the district involved in this reorganization and the kind or type of change ordered for the annexation is as follows:

District

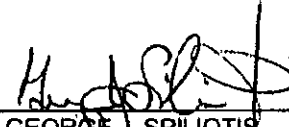
Type of Change of Organization

Murrieta County Water District

Dissolution

3. The above-listed district is located within the following county: Riverside.
4. A description of the boundaries of the above-cited change of reorganization is shown on the attached map and legal description, marked Exhibit "A" and by reference incorporated herein.
5. The territory is inhabited.
6. This reorganization has been approved subject to the terms and conditions outlined on the attached resolution.
7. Resolution No. C-11-05 ordering this reorganization was adopted on September 29, 2005. A Certified copy of the Resolution is attached hereto and by reference incorporated herein.

I hereby certify that as Executive Officer for the Local Agency Formation Commission of Riverside County, the above-listed agency has completed a change of organization pursuant to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000.


GEORGE J. SPILOTIS
Executive Officer

Date: October 14, 2005

1 Local Agency Formation Commission of Riverside County

2
3 RESOLUTION NO. C-11-05

4 RESOLUTION FINDING THAT A MAJORITY PROTEST DOES NOT EXIST

5 AND ORDERING THE DISSOLUTION OF

6 MURRIETA COUNTY WATER DISTRICT

7 LAFCO NO. 2005-56-3.

8 WHEREAS, proceedings have been initiated pursuant to
9 the Cortese-Knox-Hertzberg Local Government Reorganization Act
10 of 2000, commencing with Section 56000 of the California
11 Government Code, for dissolution of 6.5 square miles located
12 southwest of Interstate 15, northwest of Elm Street, east of
13 the Santa Rosa Plateau and southeast of the northwestern
14 boundary of the City of Murrieta, and

15 WHEREAS, the short form designation of the proposal
16 is LAFCO No. 2005-56-3-Dissolution of Murrieta County Water
17 District, and

18 WHEREAS, the Local Agency Formation Commission of
19 the County of Riverside adopted Resolution No. 40-05 on August
20 25, 2005, approving the Dissolution as described and depicted
21 in Exhibit "A" attached hereto and by this reference
22 incorporated herein; and

23 WHEREAS, by LAFCO Resolution No. 44-01, the
24 Commission has delegated authority over all conducting
25 authority functions to the Executive Officer; and

26 WHEREAS, Resolution 40-05 directed the Executive
27 Officer to commence protest proceedings pursuant to Part 4 of
28 the Cortese-Knox-Hertzberg Local Government Reorganization Act

1 of 2000, commencing with Section 57000; and

2 WHEREAS, the terms and conditions of the proposal as
3 approved by the Local Agency Formation Commission are as
4 follows:

5 a. Western Municipal Water District and Murrieta
6 County Water District shall defend, indemnify and hold harmless
7 the Riverside County Local Agency Formation Commission (LAFCO),
8 its agents, officers, and employees from any claim, action, or
9 proceeding against LAFCO, its agents, officers, and employees
10 to attach, set aside, void, or annul an approval of LAFCO
11 concerning this proposal.

12 b. The effective date of the dissolution shall be
13 November 27, 2005 or the date of recordation of the Certificate
14 of Completion, whichever is later.

15 c. Western Municipal Water District shall assume
16 responsibility for all functions and services currently
17 provided or authorized to be provided by Murrieta County Water
18 District and its Community Facilities Districts.

19 d. Western Municipal Water District shall be
20 designated as the successor agency to Murrieta County Water
21 District for the purpose of succeeding to all rights,
22 responsibilities, properties (both real and personal),
23 contracts, equipment, assets, liabilities, obligations,
24 functions, executory provisions, entitlements, permits and
25 approvals attributable to Murrieta County Water District.

26 e. In accordance with Government Code Sections
27 56886(t) and 57330, the subject territory shall be subject to
28 the levying and collection of any previously authorized charge,

1 fee, assessment or tax of the District.

2 f. Western Municipal Water District shall succeed
3 to all contracts to which Murrieta County Water District is a
4 party, including, but not limited to sewer service related
5 agreements with Rancho California Water District and Eastern
6 Municipal Water District, the agreement between Murrieta County
7 Water District and the Metropolitan Water District of Southern
8 California related to annexation issues, and including the
9 agreement between Murrieta County Water District ("Murrieta
10 Water Public Finance Authority Joint Exercise of Powers
11 Agreement").

12 g. As of the date of Commission approval of the
13 subject dissolution, and pursuant to the provisions of
14 Government Code section 56885.5(a)(4), Murrieta County Water
15 District shall be prohibited from taking the following actions
16 unless it first finds an emergency situation exists as defined
17 in Section 54956.5:

18 i. Approving any increase in compensation or
19 benefits for members of the governing board, its officers,
20 staff, or the executive officer of Murrieta County Water
21 District;

22 ii. Appropriating, encumbering, expending, or
23 otherwise obligating any revenue of Murrieta County Water
24 District beyond that provided in the current budget at the time
25 of Commission approval; and

26 iii. Notwithstanding the foregoing, any of the
27 above actions may be taken upon the prior written consent of
28 Western Municipal Water District's General Manager or his

1 designee.

2 h. Upon the Effective Date, all assets of Murrieta
3 County Water District, including, but not limited to, water
4 rights, all funds, including cash on hand and money due but
5 uncollected, and all property, real or personal, including but
6 not limited to easements, buildings, including all furnishings,
7 fixtures, equipment, rolling stock, data bases, software,
8 records of various types which will be necessary for the
9 continued provision of service to the Murrieta territory, and
10 other equipment contained therein or otherwise associated with
11 the services provided by facilities owned by Murrieta County
12 Water District shall vest in Western Municipal Water District.

13 i. The priorities of use, or right of use, of
14 water, or capacity rights in any public improvements or
15 facilities or any other property, real or personal, to which
16 Murrieta County Water District is entitled to on the Effective
17 Date shall be transferred to Western Municipal Water district.

18 j. Western Municipal Water District shall succeed
19 to all rights, duties and obligations of Murrieta County Water
20 District with respect to the enforcement, performance or
21 payment of any outstanding bonds, including revenue bonds, or
22 other contracts and obligations of Murrieta County Water
23 District and/or its Community Facilities Districts on the
24 Effective Date.

25 k. Western Municipal Water District shall have the
26 authority and responsibility for the administration of special
27 tax and special assessment districts, including, but not
28 limited to, the levying and collecting of special taxes and

1 special assessments, including the determination of the annual
2 special tax rate within authorized limits; the management of
3 redemption, reserve, special reserve, and construction funds;
4 the issuance of bonds which are authorized but not yet issued
5 on the Effective Date, including not yet issued portions or
6 phases of bonds which are authorized; supervision of
7 construction paid for with bond or special tax or assessment
8 proceeds; administration of agreements to acquire public
9 facilities and reimburse advances made to the district; and all
10 other rights and responsibilities with respect to the levies,
11 bonds, funds, and use of proceeds that would have applied to
12 Murrieta County Water District.

13 1. Pursuant to Government Code Section 57450,
14 Murrieta County Water District shall continue to exist for the
15 sole purpose of winding up its affairs with regard to claims
16 which accrued prior to the Effective Date, and for any of the
17 purposes set forth in Section 57453(a)-(c). Additionally,
18 except as otherwise provided in these terms and conditions
19 regarding the continuation of the provision of services, for
20 the purposes specified in Government Code Section 57453, the
21 officers and legislative body of Western Municipal Water
22 District shall have the same powers and duties as the dissolved
23 Murrieta County Water District and of the officers and
24 legislative body of Murrieta County Water District, and shall
25 have all of the powers delineated in Government code Section
26 57453(a)-(c), for the sole and exclusive purpose of winding up
27 the affairs of the dissolved Murrieta County Water District.
28 The powers and duties set forth above shall commence upon the

1 Effective Date and shall continue until the time when the
2 affairs of the dissolved Murrieta County Water District have
3 been completely wound up.

4 WHEREAS, the reason for this proposed dissolution is
5 to streamline water and wastewater services in the Murrieta
6 area.

7 WHEREAS, the regular County Assessment roll is
8 utilized by the subject agencies.

9 WHEREAS, the affected territory will be taxed for
10 existing general bonded indebtedness.

11 WHEREAS, the Commission determined the territory
12 proposed to be reorganized is legally inhabited as defined in
13 Government Code Section 56046; and

14 WHEREAS, the Executive Officer of the Local Agency
15 Formation Commission acting on behalf of the Commission as the
16 conducting authority, held a properly noticed public hearing on
17 this matter on September 29, 2005, at 9:00 a.m. at 3850 Vine
18 Street, Suite 110, Riverside, California, and


19 WHEREAS, the Executive Officer has determined that
20 the value of the written protests filed and not withdrawn was
21 less than 25 percent of the registered voters within the
22 affected area and less than 25 percent of the number of owners
23 of land owning 25 percent of the assessed value of land within
24 the affected territory in accordance with Government Code
25 Sections 56854 and 57102.

26 NOW, THEREFORE, BE IT RESOLVED that the Executive
27 Officer on behalf of the Local Agency Formation Commission
28 pursuant to the Cortese-Knox-Hertzberg Local Government


1 Reorganization Act of 2000 orders the dissolution of Murrieta
2 County Water District.

3 BE IT FURTHER RESOLVED that the Executive Officer
4 shall complete this proposal pursuant to State Law subject to
5 payment of required fees and terms and conditions as approved
6 by the Commission.

7
8 ADOPTED, this 29th day of September, 2005.

9
10
11 
12 GEORGE J. SPILIOTIS
EXECUTIVE OFFICER

13 Acknowledged:

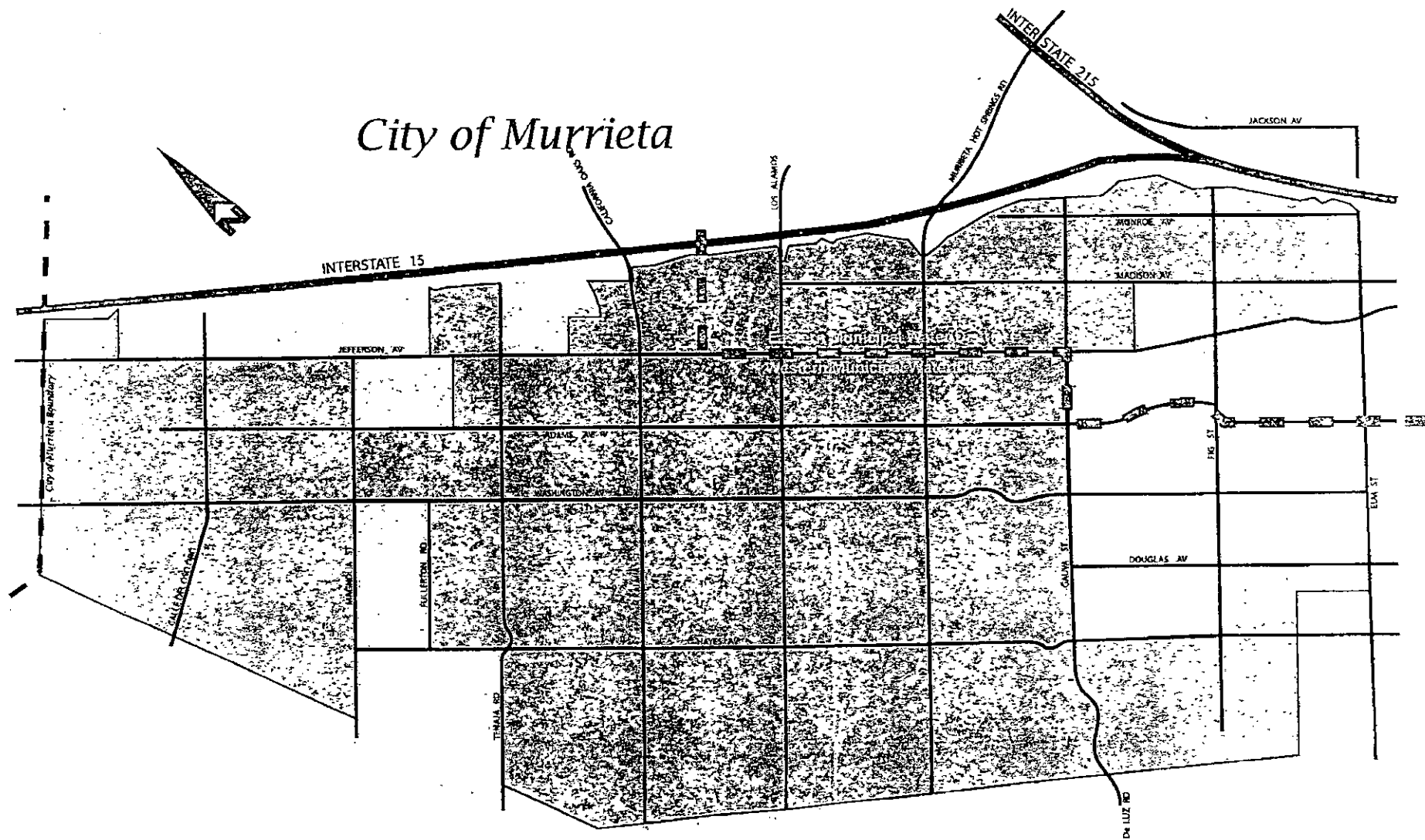
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15 KEVIN D. JEFFRIES, CHAIR




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COUNTY COUNSEL

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COUNTY COUNSEL

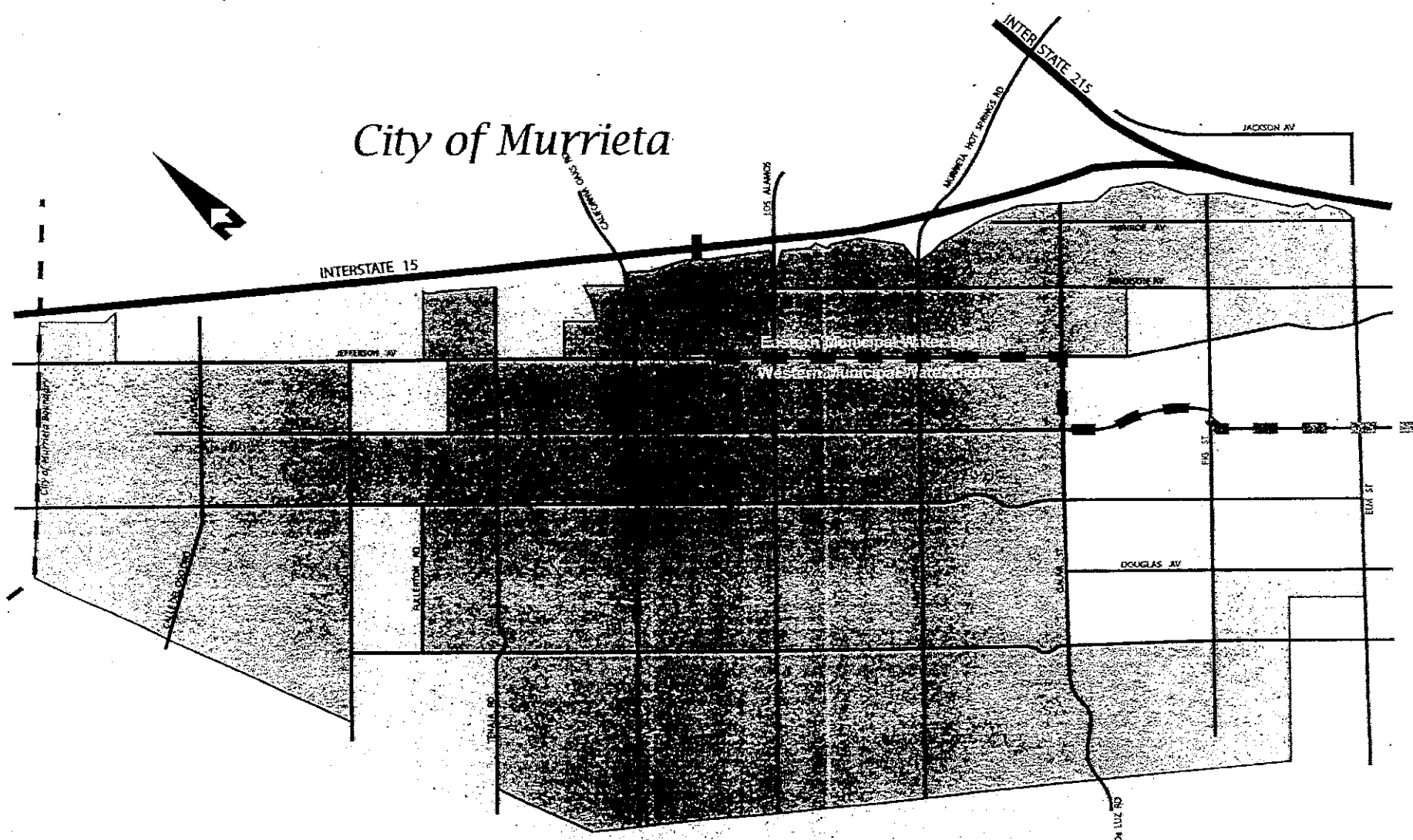
Dissolution of Murrieta County Water District




LAFCO 2005-56-3

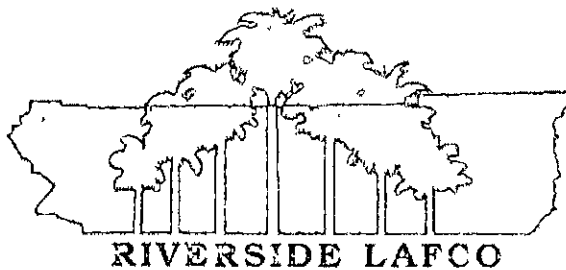


-  Murrieta County Water District
-  Rancho California Water District
-  Boundary between Western Municipal Water District & Eastern Municipal Water District

LAFCO 2005-56-3



-  Murrieta County Water District
 Rancho California Water District
 Boundary between Western Municipal Water District
 & Eastern Municipal Water District



3.h.
8/25/2005

TO: Local Agency Formation Commission
FROM: George J. Spiliotis, Executive Officer

SUBJECT: LAFCO 2005-56-3-DISSOLUTION OF MURRIETA COUNTY WATER DISTRICT

PRIOR AGENDAS/RELATED ACTIONS: None

EXECUTIVE SUMMARY: This report addresses a proposal to dissolve the Murrieta County Water District (MCWD). The dissolution has been initiated jointly by unanimous resolutions of the Boards of MCWD and Western Municipal Water District (WMWD). Approximately 85 percent of MCWD is within WMWD, a Metropolitan Water District member agency that provides wholesale and retail service to portions of western Riverside County. WMWD proposes to assume the responsibility for retail water and wastewater services in the area. The staff recommendation is for approval as proposed.

BACKGROUND: Murrieta County Water District was formed in 1963 but was inactive until 1981, when it assumed the assets and functions of the Murrieta Mutual Water Company. A relatively small district, it serves approximately 2400 connections in a rapidly developing, six square mile portion of the City of Murrieta. Connections are expected to increase to over 12,000 by 2020. Although reorganization options have been suggested in the past, measures taken beginning in 2004 represent the most serious efforts to date to explore organizational options for the District.

During the first half of 2004, reorganization options became an increasingly frequent topic of discussion among the MCWD Board of directors and the community. In July 2004 an ad hoc committee of MCWD and WMWD Board Members was established to explore the potential for consolidation/dissolution. The ad hoc committee recommended to the two Boards the formation of a Blue Ribbon Advisory Committee (BRAC) composed of community members. The BRAC began meeting in November 2004 and over the next several months gathered information from staff and consultants regarding district operations, groundwater, infrastructure, future demand and supply, personnel, rates and other fiscal issues. In April 2005, the BRAC issued its final report and recommendation (attached to this report) to the MCWD Board, calling for "final negotiations to merge with the Western Municipal Water District".

Concurrent with these efforts, LAFCO's own Water and Wastewater Municipal Service Review (MSR) was also being prepared. The

August 25, 2005

Public Review Draft, issued in fall of 2004, recommended exploration of reorganization of MCWD with WMWD or Rancho California Water District.

Staff and consultants from WMWD and MCWD have worked extensively over the last several months toward the goal of a seamless transition of service in the event the dissolution is completed. Toward that end, the two District Boards, in addition to adopting joint resolutions of application in April 2005, have executed a "Transition Agreement" to guide the transfer of assets, obligations, staff, etc., upon dissolution. The Transition Agreement is also attached to this report for the Commission's reference.

GENERAL INFORMATION:

APPLICANT: Initiated by unanimous resolutions of application of WMWD and MCWD.

LOCATION AND AREA: The territory of the District is approximately 6.5 square miles, encompassing most of that portion of the City of Murrieta west of Interstate 15.

POPULATION: Approximately 6,000 people.

REGISTERED VOTERS: The Registrar of Voters reports the current number of registered voters is 4,214.

CEQA DETERMINATION: WMWD, as lead agency, has determined the proposal is exempt from CEQA pursuant to CEQA Guidelines Section 15320 (Class 20 Categorical Exemption) in that the proposal consists of changes in the organization of local governmental agencies where the changes do not change the geographical area in which previously existing powers are exercised.

PROPERTY TAX EXCHANGE: The Transition Agreement adopted by the Boards of WMWD and MCWD has addressed the exchange of property taxes. Pursuant to that agreement, 100 percent of the District's property taxes will accrue to WMWD. Additionally, Eastern Municipal Water District (EMWD) is expected to adopt a resolution transferring MCWD's allocation of property tax within EMWD's service area to WMWD.

EXISTING CONDITIONS: The territory of MCWD includes a wide variety of residential, commercial and industrial uses, as well as significant amounts of vacant land.

LAND USE PLANS: No changes in land use plans are associated with this proposal.

SIGNIFICANT ISSUES:

JUSTIFICATION: Within their application documents, the Districts have cited the following reasons and advantages of dissolution. The proposal will enhance service efficiency by reducing costs in administrative personnel, contracts and office expense. Regional

planning will be improved by having the regional wholesale agency assume responsibility for all water and wastewater planning functions.

Due to the tremendous growth and immediate need for significant capital improvements, MCWD would experience a shortfall in reserves to fund needed improvements. WMWD would be able to solve this short-term cash flow problem through a loan of approximately \$3 million between 2006 and 2010 to supplement MCWD reserves. Payback of the loan would come from development related fees. This would negate the need to seek outside loans with associated borrowing costs.

PLAN OF SERVICES: WMWD has submitted a Plan of Services in support of the proposal. The Plan of Services and accompanying documents summarize several months of cooperative efforts of Board members and staff of the two agencies. There will be virtually no noticeable change in water and wastewater service. As outlined below, WMWD will assume the provision of retail water and sewer services within the MCWD boundaries.

Independent Cost Center: An import consideration early in the discussion process between the two Districts was the establishment of the MCWD service area as a separate cost center of WMWD. Services within the Murrieta cost center will be fully supported by Murrieta ratepayers. Likewise, Murrieta assets will be used for the benefit of Murrieta customers.

Personnel: The majority of MCWD operational staff will have the opportunity to continue to work as WMWD employees within the Murrieta service area. Of the approximately 15 full-time equivalent positions at MCWD, two had announced retirement plans at the time the Plan of Services was prepared. A few more have separated or announced plans to leave prior to the proposed effective date of dissolution. All remaining employees will be offered employment with WMWD. No issues are anticipated as compensation and benefits are very similar between the two agencies. WMWD plans on cross-training MCWD employees to allow them to work in other parts of the WMWD service area. Operations would continue to be provided out of the current MCWD facility.

Water Service: Water demand is expected to increase by approximately 350 percent over the next 20 years, while the area will reach the limit of its groundwater production resources within the next year or so. The need to bring imported water into the area was identified as the most significant issue facing the District. As noted above, WMWD will be able to alleviate short-term capital improvement cash flow problems, thereby facilitating the construction of necessary facilities.

Wastewater Service: MCWD provides wastewater collection within its service area. The District has contracted with Rancho California Water District (RCWD) and EMWD for treatment and disposal services since 1989. These existing contracts will either be assigned to WMWD or new agreements will be executed with the agencies by WMWD.

Rates and Fees: Current MCWD rates are within the range of rates charges by other agencies in the region. Rates and charges have allowed the district to maintain its systems and build reserves for planned infrastructure improvements. Rates are expected to increase in the Murrieta service area as imported water is brought in and as operating costs rise. These increases will occur independent of the dissolution. WMWD does not anticipate any rate changes as a result of assuming the Murrieta service area.

Alternative Reorganizations: The Plan of Services also briefly discusses alternative dissolution/reorganization scenarios that were evaluated. Staff had specifically requested information pertaining to the rejection of reorganization with RCWD. RCWD has retail water surrounding much of MCWD and provides wastewater treatment to approximately 85 percent of MCWD. RCWD annexation fees and its practice to discourage annexation of areas that would be largely dependent on imported water were identified as significant obstacles to reorganization with that agency.

EFFECT OF DISSOLUTION/SUCCESSOR AGENCY: Cortese-Knox-Hertzberg leaves little doubt as to the effect of dissolution. Section 57450 states that upon the effective date "the district shall be dissolved, disincorporated, and extinguished, its existence shall be terminated, and all of its corporate powers shall cease, except as the commission may otherwise provide pursuant to Section 56886 or for the purpose of winding up the affairs of the district and as otherwise provided in this chapter ...".

The Commission is responsible for designating a successor agency that will wind up the affairs of the district consistent with terms and conditions established by the Commission. In the case of the last major dissolution approved by the Commission, the dissolution of Ortega Trail Recreation and Park District, the District had ceased all operations due to lack of funds. The County, as successor agency, was merely responsible for liquidating assets and paying the District's obligations. In the current instance, the successor agency, WMWD, rather than simply "settling the books", will continue to provide services currently provided by MCWD.

As noted earlier in this report, the Districts have entered into a "Transition Agreement" defining each District's responsibilities prior to and after the effective date of dissolution and requesting various terms and conditions to be included in the Commission's actions. Most of the requested terms and conditions or variants are included in the staff recommendation. The Transition Agreement is attached to this report for reference.

COMMENTS FROM AFFECTED AGENCIES/INTERESTED PARTIES: No significant comments have been received to date.

CONCLUSIONS:

Staff and consultants from WMWD and MCWD have worked extensively over the last several months, with occasional input from LAFCO staff, toward the goal of a seamless transition of service in the

event the proposed dissolution is approved. Toward that end, the two District Boards, in addition to adopting joint resolutions of application, have executed a Transition Agreement to guide the transfer of services, assets, obligations, staff, etc., upon dissolution. The collaborative process the Districts have engaged in represents a model for cooperation among public agencies considering dissolution or consolidation. The recommendation is for conditional approval as shown below.

SPECIFIC RECOMMENDATIONS:

Based on the factors outlined above, IT IS RECOMMENDED that the Commission:

1. Find Western Municipal Water District , as lead agency, has determined the proposal is exempt from CEQA pursuant to CEQA Guidelines Section 15320 (Class 20 Categorical Exemption) in that the proposal consists of changes in the organization of local governmental agencies where the changes do not change the geographical area in which previously existing powers are exercised.
2. Determine the proposed dissolution is consistent with the spheres of influence of all affected agencies.
3. Determine the proposed dissolution is legally inhabited.
4. Approve LAFCO 2005-56-3-DISSOLUTION OF MURRIETA COUNTY WATER DISTRICT subject to the following terms and conditions:
 - a. Western Municipal Water District and Murrieta County Water District shall defend, indemnify, and hold harmless the Riverside County Local Agency Formation Commission ("LAFCO"), its agents, officers, and employees from any claim, action, or proceeding against LAFCO, its agents, officers, and employees to attach, set aside, void, or annul an approval of LAFCO concerning this proposal.
 - b. The effective date of the dissolution shall be November 27, 2005 or the date of recordation of the Certificate of Completion, whichever is later.
 - c. Western Municipal Water District shall assume responsibility for all functions and services currently provided or authorized to be provided by Murrieta County Water District and its Community Facilities Districts.
 - d. Western Municipal Water District shall be designated as the successor agency to Murrieta County Water District for the purpose of succeeding to all rights, responsibilities, properties (both real and personal), contracts, equipment, assets, liabilities, obligations, functions, executory provisions, entitlements, permits and approvals attributable to Murrieta County Water District.

- e. In accordance with Government Code Section 56886 (t) and 57330, the subject territory shall be subject to the levying and collection of any previously authorized charge, fee, assessment or tax of Murrieta County Water District.
- f. Western Municipal Water District shall succeed to all contracts to which Murrieta County Water District is a party, including, but not limited to sewer service related agreements with Rancho California Water District and Eastern Municipal Water District, the agreement between Murrieta County Water District and the Metropolitan Water District of Southern California related to annexation issues, and including the agreement between Murrieta County Water District and Community Facilities District 88-1 of Murrieta ("Murrieta Water Public Finance Authority Joint Exercise of Powers Agreement").
- g. As of the date of Commission approval of the subject dissolution, and pursuant to the provisions of Government Code section 56885.5(a)(4), Murrieta County Water District shall be prohibited from taking the following actions unless it first finds an emergency situation exists as defined in Section 54956.5:
 - i. Approving any increase in compensation or benefits for members of the governing board, its officers, staff, or the executive officer of Murrieta County Water District;
 - ii. Appropriating, encumbering, expending, or otherwise obligating any revenue of Murrieta County Water District beyond that provided in the current budget at the time of Commission approval; and
 - iii. Notwithstanding the foregoing, any of the above actions may be taken upon the prior written consent of Western Municipal Water District's General Manager or his designee.
- h. Upon the Effective Date, all assets of Murrieta County Water District, including, but not limited to, water rights, all funds, including cash on hand and money due but uncollected, and all property, real or personal, including but not limited to easements, buildings, including all furnishings, fixtures, equipment, rolling stock, data bases, software, records of various types which will be necessary for the continued provision of service to the Murrieta territory, and other equipment contained therein or otherwise associated with the services provided by facilities owned by Murrieta County Water District shall vest in Western Municipal Water District.
- i. The priorities of use, or right of use, of water, or capacity rights in any public improvements or facilities

or any other property, real or personal, to which Murrieta County Water District is entitled to on the Effective Date shall be transferred to Western Municipal Water District.

- j. Western Municipal Water District shall succeed to all rights, duties and obligations of Murrieta County Water District with respect to the enforcement, performance or payment of any outstanding bonds, including revenue bonds, or other contracts and obligations of Murrieta County Water District and/or its Community Facilities Districts on the Effective Date.
- k. Western Municipal Water District shall have the authority and responsibility for the administration of special tax and special assessment districts, including, but not limited to, the levying and collecting of special taxes and special assessments, including the determination of the annual special tax rate within authorized limits; the management of redemption, reserve, special reserve, and construction funds; the issuance of bonds which are authorized but not yet issued on the Effective Date, including not yet issued portions or phases of bonds which are authorized; supervision of construction paid for with bond or special tax or assessment proceeds; administration of agreements to acquire public facilities and reimburse advances made to the district; and all other rights and responsibilities with respect to the levies, bonds, funds, and use of proceeds that would have applied to Murrieta County Water District.
- l. Pursuant to Government Code Section 57450, Murrieta County Water District shall continue to exist for the sole purpose of winding up its affairs with regard to claims which accrued prior to the Effective Date, and for any of the purposes set forth in Section 57453(a)-(c). Additionally, except as otherwise provided in these terms and conditions regarding the continuation of the provision of services, for the purposes specified in Government Code section 57453, the officers and legislative body of Western Municipal Water District shall have the same powers and duties as the dissolved Murrieta County Water District and of the officers and legislative body of Murrieta County Water District, and shall have all of the powers delineated in Government Code Section 57453(a)-(c), for the sole and exclusive purpose of winding up the affairs of the dissolved Murrieta County Water District. The powers and duties set forth above shall commence upon the Effective Date and shall continue until the time when the affairs of the dissolved Murrieta County Water District have been completely wound up.
5. Direct the Executive Officer to initiate Protest Proceedings pursuant to Government Code Section 57000 et seq. upon payment of required fees and authorize the dissolution

August 25, 2005

without election pursuant to the limitations of Government
Code Section 56854.

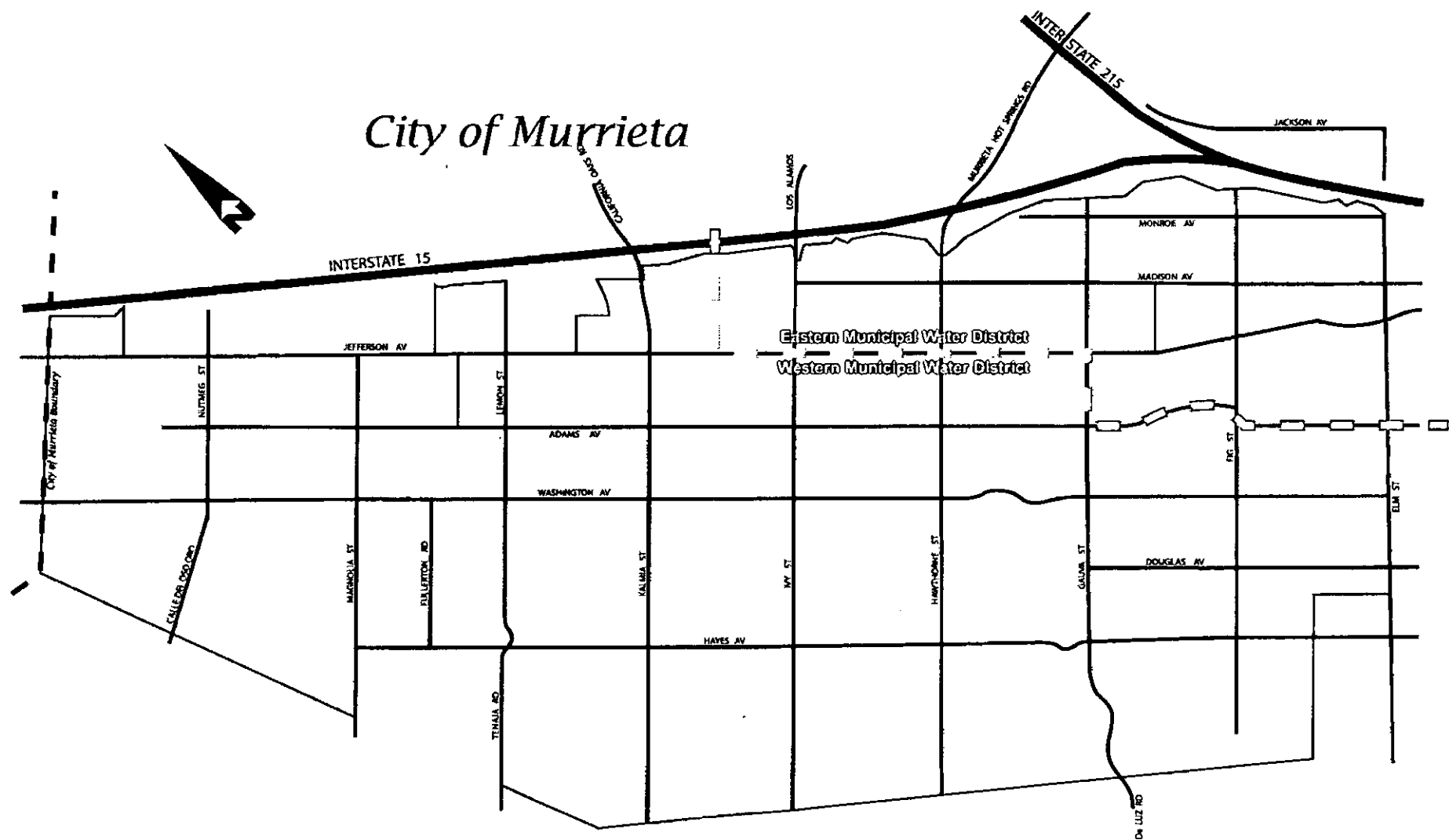
Respectfully submitted,



George J. Spiliotis
Executive Officer

Dissolution of Murrieta County Water District

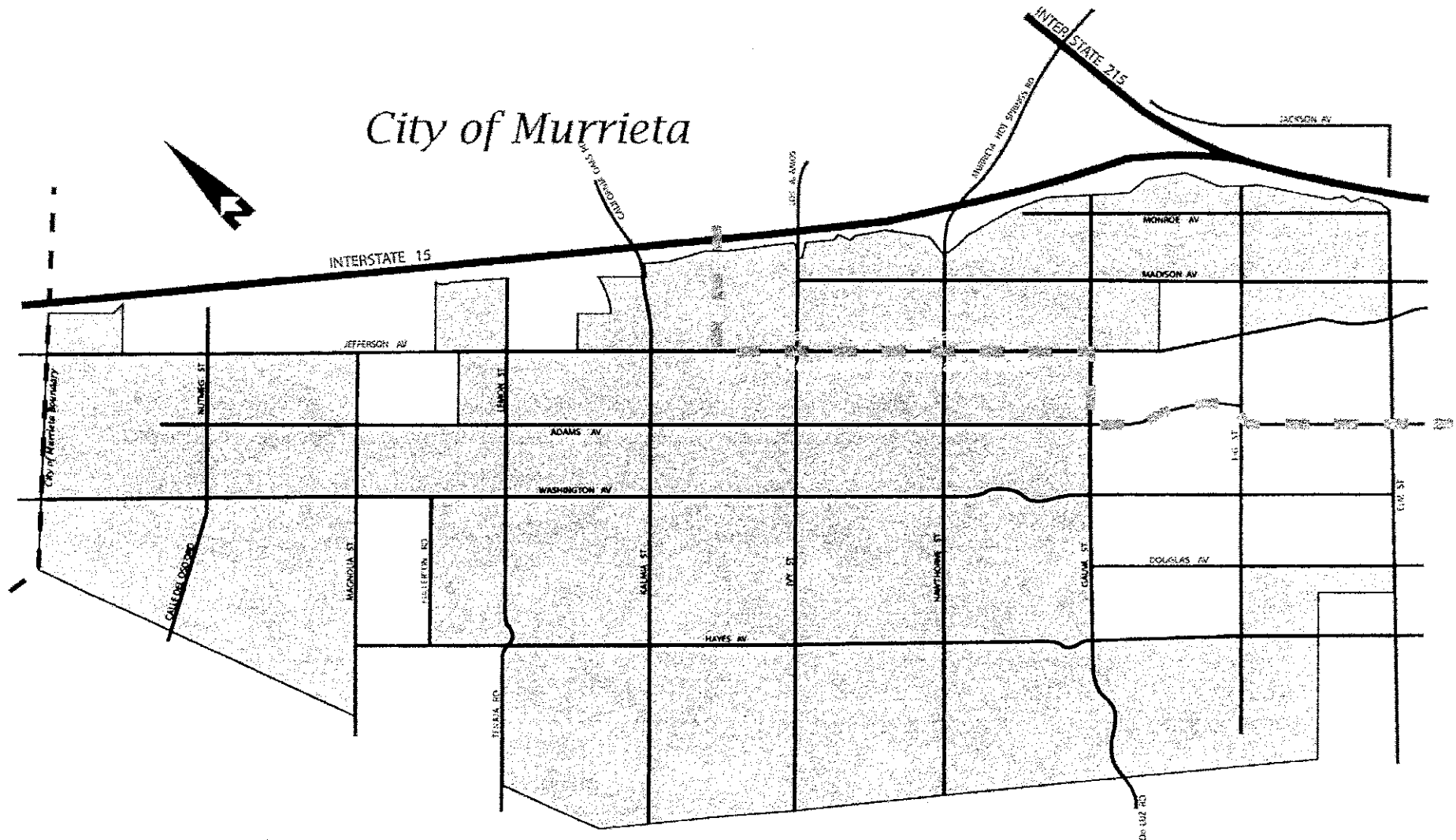
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



- Murrieta County Water District
- Rancho California Water District
- Boundary between Western Municipal Water District & Eastern Municipal Water District

Dissolution of Murrieta County Water District

LAFCO 2005-56-3



-  Murrieta County Water District
-  Rancho California Water District
-  Boundary between Western Municipal Water District
& Eastern Municipal Water District

PLAN OF SERVICES

**REPORT TO
RIVERSIDE COUNTY LOCAL AGENCY FORMATION COMMISSION
FROM
WESTERN MUNICIPAL WATER DISTRICT of RIVERSIDE COUNTY
entitled
PLAN OF SERVICE
FOR THE
MURRIETA COUNTY WATER DISTRICT SERVICE AREA
May 21, 2005**

JOINT RESOLUTION

At the respective Board meetings of the Western Municipal Water District (Western) April 20, 2005 and the Murrieta County Water District (Murrieta) April 21, 2005 joint resolutions were adopted making application to LAFCO to take proceedings for a reorganization involving Western and Murrieta.

BOARD OF DIRECTOR'S AD HOC COMMITTEES

A great deal of work was accomplished in the later half of 2004 and the first half of 2005. Western and Murrieta appointed two Board members each to begin exploring a transition plan in July 2004. The ad hoc committees recommended to their respective Boards the formation of a citizen dominated Blue Ribbon Advisory Committee that would meet with the Board's ad hoc committees to investigate and understand the issues. The resulting work of the Blue Ribbon Advisory Committee provides a great deal of background and summarizes elements of the investigation. The Blue Ribbon Committee Report entitled "The Potential Merger of the Murrieta County Water District and the Western Municipal Water District" is appended to this Plan of Service for reference.

BLUE RIBBON ADVISORY COMMITTEE

At its meeting April 18, 2005 the Blue Ribbon Advisory Committee to the Murrieta Board of Directors unanimously approved and signed its report with the signatures of six

citizen representatives, five appointed by the Murrieta Board and one appointed by the Murrieta City Council. The report was transmitted for the Murrieta Board's consideration April 21, 2005. At that meeting, the Murrieta Board unanimously approved the receipt of the report and the Committee's recommendation.

Blue Ribbon Advisory Committee Recommendation:

"The Blue Ribbon Advisory Committee began this process with differing points of view representing the various residents within the District. Through the education process, analysis, and open discussion, a consensus has been reached. Therefore, the Committee's recommendation is that the Board of Directors of the Murrieta County Water District initiates final negotiations to merge with the Western Municipal Water District."

The term "merger" was used by Committees and staff early in the discussion process, prior to learning the word had a specific meaning in state law regarding LAFCO actions. Discussion among ad hoc committee members and the Blue Ribbon Advisory Committee culminated in the concept of Western taking all responsibility for continued water and sewer service in the Murrieta area. The legal term and the term used by LAFCO for the concept discussed is "dissolution". However, the responsibility for providing service to customers must shift with a dissolution; therefore, the term used herein to describe the LAFCO proceeding of Murrieta dissolution with acceptance by Western to accept all administrative and operational functions together with all assets and liabilities to continue water and wastewater service within the current Murrieta boundary, is "Transition".

CONSULTANTS/STAFF AUDITS and REPORTS

Western and Murrieta jointly hired specialized consultants to audit all elements of Murrieta's administration and operations and together with staff expertise presented a complete report of findings to the Blue Ribbon Advisory Committee, as follows:

CFD Financing elements – David Taussig and Associates

Report by: David Taussig

Finance and Accounting (revenue and expenses) Rieter-Lowry and Associates

Report by: Greg Lowry

Water Quality – Water Quality and Treatment Solutions Incorporated

Report by: Issam Najm

Water Supply – Kennedy Jenks Consultants

Report by: Keith London & Sachi Itagaki

Water and Sewer Master Planning - Krieger and Stewart Inc. Engineers and Consultants

Report by: Mark Messersmith

Operations audit – Kenneth C. Dealy, Consultant

Report by: Ken Dealy

Rates and fees comparison - Western staff

Report by: John Rossi & Melodie Johnson

LAFCO application process - Murrieta staff

Report by: Wayne Spencer and Brian Berry

Water costs - Western staff

Report by: John Rossi, Jeff Minkler and Melodie Johnson

BLUE RIBBON ADVISORY COMMITTEE CONCLUSION

From the research, the Blue Ribbon Advisory Committee concluded that:

- The need for additional imported water supplies – up to 4400 acre feet annually - was the largest issue facing Murrieta.
- Murrieta is financially stable with rates and fees within the range of neighboring districts.
- Whether or not Murrieta merges (transitions) with another district, future rate increases are to be expected. Consolidation with another district may help reduce these increases in the long run, but not in the immediate future.
- Facilities and operations are consistent with standard water district operations. However, additional production and storage facilities are needed in the near

future. Financing of these facilities needs to be addressed to meet growing demand.

- Murrieta meets or exceeds all the Department of Health Services (DHS) water quality requirements throughout its production and distribution system.
- Current well owners will continue to rely on their own wells for water supply.
- Native water cannot and will not be exported from the basin.

As addressed in the Blue Ribbon Advisory Committee report, neighboring agencies, including Rancho California Water District, Eastern Municipal Water District, and Elsinore Valley Municipal Water District, as well as Western could be considered Transition partners. Based solely on geography, it might appear that a Transition with Rancho California Water District is most efficient; however, a Transition with Rancho could have negative financial impact either on Murrieta customers because of the probable high annexation fees or on Rancho customers, in the form of subsidies, if the fees were waived. And Rancho's practice has been to annex areas only if the area of consideration is water positive and not dependant on imported water. Murrieta will need considerable imported water to support future development and therefore, would not be considered water positive. Murrieta is primarily within Western's district boundaries and therefore annexation fees are not an issue. A small portion of Murrieta lies within Eastern's service area and could be served in the future, as now, through an inter-agency agreement for supplemental water. Inter-agency agreements are also used with Eastern and Rancho for sewer service. Western and Eastern have numerous inter-agency agreements for service across their common boundary a practice proven to be in the best interest of the property owner, to keep cost of water and sewer service as low as possible and provide service as efficiently as possible.

FUTURE PLAN OF SERVICE

One of the elements discussed with the Board's ad hoc committees and Blue Ribbon Advisory Committee was the need after the Transition, to establish the water and sewer service area within the Murrieta boundary as a self-supporting, independent cost center of Western. Administration and operations would be similar to Western's self

supporting, independent cost center known as Improvement District A, located at the San Diego County line serving a residential community; commercial and industrial area; and border patrol check point together with the highway patrol truck weigh station. With the cost center approach, the plan for administration and operations in the future would be similar to present operation eliminating the need for immediate changes. A major advantage of the independent cost center is that Murrieta assets would remain with and continue to benefit the community of origin.

Western's experience in the area of operational reorganization includes the Western Riverside County Regional Wastewater Authority consisting of a tertiary wastewater treatment facility and sewage conveyance system serving Home Gardens, Norco, Jurupa, Western's Lake Hills and Victoria Grove service areas, and City of Corona on an as needed or emergency basis. Western took over all responsibilities for providing wastewater conveyance and treatment service in the WRCRWA service area and offered every employee a position with Western. Western now provides all administration, operation, maintenance and governance support in order for the WRCRWA to be a self supporting, independent entity with its own budget.

The El Sobrante Mutual Water Company is an example of total reorganization with dissolution of the Mutual Water Company. Western, by contract, offered finance and accounting services to the El Sobrante Mutual Water Company prior to its dissolution. Therefore the major change at the time of dissolution was in governance, operation, capital improvements and water supply planning. Western's assumption of duties in both reorganizations, WRCRWA and El Sobrante, provided a seamless transition of service with minimal impact to the customer.

WATER SERVICE

Murrieta recently completed its 2005 Water Facilities Master Plan. Its previous Water Plan was completed November 2001. The 2005 Water Plan addresses existing and proposed water facilities including production facilities (wells), pipeline, booster pumps

and storage reservoirs together with a comparison of current water demands and future water demands. The following table represents annual water demand and annual source of supply requirements for the next 20 years.

Table 1
Water Demands

Year	Total Demand AF/Y	Groundwater Production AF/Y	Imported Water Supply AF/Y
2005	2900	2900	0
2010	4700	3000	1700
2020	8300	3000	5300
2025	10,100	3000	7100

The 6.5 sq. mile district with its 2400 service connections is expected to expand to 12,000 service connections over the next 20 years. As stated by the Blue Ribbon Advisory Committee in its conclusion, the need for additional imported water supplies is the largest issue facing Murrieta. And financing needs to be addressed for construction of new facilities to meet future growth.

WATER QUALITY

A subdivision development within Murrieta known as the Murrieta Ranchos, has experienced elevated copper levels in the water within some of the homes. In addition to elevated copper levels, which produce blue coloring in the water as the water passes through the copper pipes within the home, there have been allegations in the July 16, 2004 complaint of homeowners verses Murrieta Ranchos LLC, et al, that the homes suffer from numerous deficiencies and defects. A partial list from the public document includes slab and foundation deterioration together with cracking, separations and distress; soil movement and subsidence; cracking and separations of exterior concrete flatwork; insect infestation; slipping roof tiles; roof leakage; sagging of roof structure;

deteriorated stucco; cracking exterior walls; deterioration of countertops; faulty plumbing systems and water; damage to and corrosion of building components and items in contact with water supply and plumbing; leakage; seepage and condensation through slabs, walls, roofs and windows; excessive moisture in the homes and numerous other issues.

Murrieta, as the water purveyor, has been working with homeowners and the developer on the single issue of blue water caused by elevated copper levels in some homes. However, blue water has been experienced by new home buyers in newly constructed homes, randomly, throughout the state and from time to time over many years. One house may experience blue water and the neighboring houses around it may not. Murrieta staff contacted its insurance provider and was assured that Murrieta was fully covered for defense and damages if any, in the event the litigation between homeowners and developer spilled over onto Murrieta. Murrieta's insurance provider is the Special Districts Risk Management Authority (SDRMA), an alliance with the California Special Districts Association.

WASTE WATER SERVICE

Murrieta is currently in the process of finalizing its 2005 Wastewater Facilities Master Plan. The 2005 Wastewater Facilities Master Plan addresses existing and proposed facilities including collection pipelines, lift stations and connection to trunk sewers owned and operated by Eastern and Rancho. Murrieta currently maintains approximately 50,000 lineal feet of sewers ranging in size from 8-inch to 12-inch diameter.

Murrieta has contracted with Eastern and Rancho for the treatment and disposal of wastewater. A specific boundary line has been established to identify treatment areas. Generally, the land east of Jefferson Avenue is in the Eastern treatment area and land west of Jefferson Avenue is in the Rancho treatment area. The boundary line may be shifted as development occurs to facilitate the collection and transport of wastewater

from a proposed development to either the Eastern treatment plant or the Rancho Treatment plant. Approximately 15% of the Murrieta district is within the Eastern treatment area and 85% within the Rancho treatment area. The service area line is based on topographic features such as USGS elevation and is not related in any way to the jurisdictional boundary line separating Western and Eastern.

IMPORTED WATER

Western is currently working on its own Integrated Resource Plan (IRP) to identify water supply needs of all communities within its 510 square mile distribution boundary. It is also working closely with the Metropolitan Water District of Southern California (MWD) on the MWD Riverside Area Study and Skinner Service Area Study. Western and MWD staff are in the process of defining facilities to benefit the Murrieta, Temecula and Elsinore service areas with the goal to bring additional imported water to the areas from MWD's nearby storage at Lake Skinner and Diamond Valley Lake. The concept includes an expansion of MWD treatment and transport facilities with additional local facilities constructed cooperatively by Western and its member agencies. Murrieta customers and property owners will benefit from the Western/MWD cooperative planning effort.

RATES AND FEES

As stated by the Blue Ribbon Advisory Committee in its conclusions, Murrieta is financially stable with rates and fees within the range of neighboring districts. Murrieta through its rate consultant, has been evaluating rates and fees for both water and sewer service and may propose a rate and fee adjustment before the Transition, subject to the consultant's recommendation. However, as the Blue Ribbon Advisory Committee stated in its report, whether or not Murrieta Transitions with another district future rate increases are to be expected. But with the information gathered to date, Murrieta and Western staff have concluded that increases will not be a product of the Transition. Instead, the Transition with Western may help reduce rate increases in the long run. As a result of Murrieta's fiscal policy and its proactive approach to rates and

fees, it has been able to set aside funds each year for future asset replacement, major maintenance and capital improvements benefiting existing customers.

At its close of last fiscal year, June 30, 2004, Murrieta's rates and fees had accumulated approximately \$5.7 million in various reserve accounts. Therefore, Murrieta has adequate reserves to construct improvements immediately needed for new development. And with a loan from Western to the Murrieta cost center formed after the Transition of \$3 million, funding will be adequate to support additional homes and businesses from now until 2010. The construction of the new homes and businesses will bring the Murrieta cost center additional funding for repayment of Western's loan and repayment of borrowing from Murrieta's reserves. As mentioned earlier, the funding issue is a short-term cash flow matter. New development connection fees are set appropriately to pay for all water distribution facilities and sewer collection facilities needed to support growth. Subsequent to the Transition, Western will initiate detailed planning for long term water supply in conjunction with Western's IRP and with the MWD Riverside Area Study. After the completion of those studies, Western will review the Murrieta cost center rates and fees to assure adequate funding continues for all operation, maintenance and capital infrastructure requirements including sources of imported supply.

CAPITAL FINANCING

Murrieta has financed capital improvements with connection fees, and with land secured bond issues. Murrieta sponsored, as lead agency, Community Facilities District 88-1 (CFD 88-1) in 1988 with a total bond authorization of \$14 million for both water facilities and sewers. Proceeds from CFD 88-1 are made available as growth occurs and as assessed values increase in the area covered by the financing. As a result of increased assessed value the past couple years, it has been estimated by Western's and Murrieta's financial consultant that \$2,059,181 in CFD 88-1 bond proceeds will be available July 2005 for water and wastewater capital improvements. Additionally, wastewater improvements can be financed and installed by developers as construction

takes place since most wastewater improvement requirements are for new sewers as opposed to treatment plants and disposal facilities. With sewers funded by developments on an as needed basis, bond proceeds will be available for water capital improvements. As shown by the following table, new water facilities will cost \$26.2 million over the next 20 years for water improvements.

Table 2
Estimated Water Facility Costs

Projects	2005	2010	2020	Ultimate (2025)	Total
Well Pumping Plants	\$2,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$5,000,000
Imported Water (1)		\$270,000			\$270,000
Booster Pumping Plant	\$975,000				\$975,000
Storage Facilities	\$1,115,000	\$1,600,000	\$2,800,000	\$300,000	\$5,815,000
Pipelines	<u>\$3,030,000</u>	<u>\$4,870,000</u>	<u>\$2,635,000</u>	<u>\$3,650,000</u>	<u>\$14, 185,000</u>
Total	\$7,120,000	\$7,740,000	\$6,435,000	\$4,950,000	\$26,245,000
(1) Cost includes only the cost for connection facilities. Said cost does not include connection fees or standby charges.					

A cost of \$7,120,000 has been estimated for water facility improvement expenditures between 2005 and 2010. However, immediate needs include wastewater improvements of \$800,000 for the elimination of septic tanks in Old Town Murrieta and

are collectively shown in the following table for water and wastewater improvements amounting to \$4,975,000.

Table 3

Current Water and Wastewater Infrastructure Requirements

One Well Pumping Plant	\$1,000,000
Booster Pumping Plant	\$975,000
Grizzly Peak Reservoir	\$1,200,000
Imported Connection Treatment Facility	\$1,000,000
Old Town Septic Tank Improvements	\$800,000
Total Cost	\$4,975,000

Subsequent to the Transition, Western's plan for Murrieta's water and wastewater capital improvement needs would be to supplement the Murrieta cost center reserves with the necessary funds to construct facilities during years 2006 -2010. Western would explore, with those planning new development, a cooperative approach to funding booster pumping facilities and pipelines. Therefore, Western would be loaning the Murrieta cost center approximately \$3 million over approximately 5 years (\$600,000 per year) and expecting a cooperative effort to fund the additional facilities needed the next 5 years. Any funding needed by Murrieta for the cooperative effort would be from current Murrieta cost center reserves. Payback for the loan and borrowing from reserves would be from connection fees collected at time of recording tract maps.

Connection fees, also known as Development Impact Fees, will continue to be collected to replenish capital improvement reserves. The accumulation of Developer Impact Fees will allow the continuation of capital improvement construction projects until build out has been reached. The Development Impact Fees will be escalated as construction unit costs increase over time. The fee structure will also be modified as more information is gathered to more precisely define imported water supply costs.

MURRIETA STAFFING PLAN

Western's workforce currently numbers about 90 employees and Murrieta currently employs approximately 15 full time equivalents; however, two Murrieta employees have announced retirement prior to the effective date of the Transition. As with the previously discussed reorganization of the operations at WRCRWA, Western would propose to follow the same successful strategy, to offer all full-time Murrieta employees positions with Western. And as experienced in the previous reorganization, it is a near certainty that the transition for Murrieta employees will be uneventful because Western and Murrieta have similar compensation packages and job functions, pay grades/ranges and benefits.

By way of example, both agencies pay a similar portion of the employees' health, vision and dental premiums (with Western's slightly higher); both have a similar number of holidays, Western with 12.5 and Murrieta with 13; both provide life insurance; both allow compensatory time in lieu of pay for overtime; both have paid after-hours call time systems to provide 24 hour service to the customer; both compensate for jury duty; both allow time off for voting and military leave; both allow time off for bereavement; both have similar family care procedures; both provide field staff with five freshly laundered uniforms each week; both provide safety toed boots to field staff and both have bi-weekly pay periods and direct payroll deposit.

As with the reorganization of the WRCRWA operation, Western's management will meet individually with each Murrieta employee to make a personalized job offer in order to tailor the offer to the needs of the employee and the needs of Western's enterprise and non-enterprise business functions. Western's plan is to try to tailor its total compensation package offer to each individual in such a manner as to meet or exceed the individual's current compensation package.

Western's classified employee's have formalized their organization and have elected to operate as an agency shop association in accordance with state law. Mandatory dues

are used to pay a consulting firm to assist the employees with interpretation of Western policy, procedures and practices and provide technical support when negotiating wages, benefits, hours of work, and working conditions. Management and association employees have found the arrangement helpful when communicating employment matters. Western's employee association will expedite the transition of Murrieta staff into Western's structure and culture by providing an employee-to-employee interface. Western management staff proposes to provide time for Association Board members to meet with Murrieta staff to welcome them, answer questions and begin the communication of practices, procedures, structure and culture.

Western has adopted a cross training program linked to pay for performance to benefit the employee and the business. Through the program, the employee increases skills more rapidly than in a traditional setting and with multiple skills provides flexibility to the operation, thereby reducing customer expense. One reward for the employee is the ability to do various jobs thereby allowing the employee to work in various interesting assignments as opposed to the same thing every day in the traditional setting. The other reward is monetary. A highly skilled employee brings value to the business, value that is compensated through the pay for performance system, including annual adjustments to wages and salary together with the possibility of various monetary and non-monetary rewards each year. Murrieta staff will continue to work from the Murrieta office until the cross training can be implemented. Then, a few employees will begin cross training while most Murrieta staff members continue to work from the Murrieta office. The process to fully integrate Western staff and Murrieta staff is expected to take two or more years.

CONTRACTS

As with any enterprise, numerous contracts are necessary to operate the business. The contracts may be with private sector service/materials providers; financial institutions; and public agencies. It will be important to continue the contractual arrangements to make the Transition as seamless as possible. Therefore one of the first functions of the

Western/Murrieta administrative teams will be to review all contracts to determine the need to assign or restructure each contract. In some cases it would be helpful to assign the contract to Western. In other cases it might be best for the contract to be terminated with an immediate execution of a new contract in Western's name.

The following represents a partial list of the types of contracts and agreements that would be addressed:

1. Inter-agencies agreements with neighboring public agencies for water supply, operational services, wastewater treatment, mutual aide, and other matters;
2. Vendor contracts for chemicals, supplies, parts, materials, waste removal;
3. Construction contracts for repairs and capital improvements;
4. Utility services contracts for natural gas, electricity and telephone; and
5. Service contracts for such things as Internet access, office equipment, and maintenance.

PERMITS AND LICENSES

Notification of intent to change ownership information on permits and licenses would be another immediate function and would include by example the following notifications:

Department of Health Services

State Water Resources Control Board

Regional Water Quality Control Board

South Coast Air Quality Management District

REAL PROPERTY TITLES

Although not needed immediately, real property rights - easements and fee title - would be transferred as soon as possible in order to notify anyone searching for ownership information at the County of Riverside that there has been a transfer of rights and/or title. The recordation of transfer of rights will eliminate confusion whenever title searches are performed by individuals and/or title companies. Currently Murrieta owns the headquarters and operations facility; well sites; tank sites; booster

pumping sites; and holds easement rights at various locations. Signage at key locations will help communicate the change in ownership and provide notification information.

TRANSITION AGREEMENT

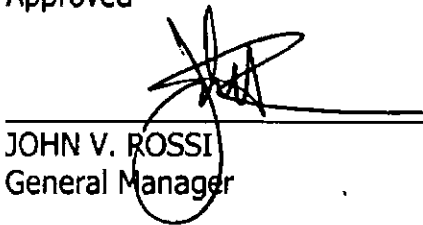
The Transition Agreement deals with legal matters related to the merger including the establishment of an effective date for the merger, 12:01 a.m., January 1, 2006. The Transition Agreement is an integral part of the LAFCO application package together with this Plan of Service and the Joint Resolutions of Application approved by both Western's Board and Murrieta's Board.

Prepared by Western Municipal Water District May 21, 2005.



NORMAN L. THOMAS
Deputy General Manager

Approved



JOHN V. ROSSI
General Manager