



September 9, 2020

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**CAROLYN EMERY**  
EXECUTIVE OFFICER

**TO:** Local Agency Formation Commission

**FROM:** Executive Officer  
Policy Analyst

**SUBJECT:** Municipal Service Review (MSR 20-09) and Sphere of Influence Review (SOI 20-10) for the Municipal Water District of Orange County

**BACKGROUND**

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (CKH Act) was amended 20 years ago to include Municipal Service Reviews (MSR). The mandate (Government Code Section 56430) by the State Legislature requires LAFCOs to conduct comprehensive, regional studies on future growth and how local agencies are planning for their municipal services and infrastructure systems. To meet this mandate, Orange LAFCO is required to conduct MSRs for 34 cities and 34 dependent and independent special districts. In conjunction with the conducting of MSRs, the Commission is required to review each agency's sphere of influence (SOI) every five years. An SOI is a tool used by LAFCOs to determine the probable physical boundaries and service area for a city or a special district.

Since 2000, Orange LAFCO has completed and prepared three cycles of MSRs and SOI reviews. The Commission has streamlined this process by establishing regional study areas to include multiple agencies and the clustering of municipal services. Each cycle has incorporated collaborative participation of representatives from the County, cities, special districts and community members, as appropriate.

The Commission began preparing for the fourth MSR cycle (2018-2022) in 2017. During its annual strategic plan workshop, the Commission confirmed that the Orange LAFCO MSR process has been the most important mechanism for reviewing how Orange County agencies are planning to deliver public services in the most cost-effective and efficient manner. In line with that, the Commission directed staff to develop a five-year timeline for the conducting of MSRs with the ability to adjust timelines as necessary. The MSR for the Municipal Water

District of Orange County(MWDOC) has been prepared in line with the schedule for the MSR Work Plan. The MSR addresses each of the areas required in accordance with State law and is referenced as **Attachment A** to this staff report. A summary of the MSR and SOI determinations and staff recommendations are discussed in the next section of this report.

### **MSR Summary**

MWDOC was formed in 1951 to import wholesale water from the Metropolitan Water District of Southern California and serves more than 2.4 million Orange County residents through its 28 member agencies. The District works collaboratively with its member agencies and other partners to establish water supply reliability through the management, expansion and diversification of Orange County's water supply portfolio. In this role, MWDOC provides leadership and facilitates the integrated planning for water resources, demand management, development of imported water service rates and charges, and sponsorship of statewide water policy that supports regional reliability.

MSRs for MWDOC were conducted by the Commission in 2007, 2008, and 2013. The first MSR involved a collaborative stakeholder process and comprehensive review of the District's services and operations. In response to areas of concern expressed by some of its member agencies during the initial MSR, the MWDOC Board of Directors approved policy and procedural changes to address the concerns and enhance its accountability to the District's member agencies. The District's 2020 MSR report recognizes the addressing of issues noted in the 2007 MSR by MWDOC and does not identify any issues related to the new MSR determinations. Staff, therefore, recommends that the Commission approve the resolution adopting the MSR Statement of Determinations for MWDOC – **Attachment B**.

### **SOI Summary**

The Commission first established an SOI for MWDOC in 1984. MWDOC's SOI is contiguous with the Orange County boundary, except the city limits of Anaheim, Fullerton and Santa Ana. Since 1984, the District's SOI and service boundaries have been amended concurrently with approved annexations and detachments, and the most recent amendment to the District's SOI occurred in 2013 to include an area known as "Fremont Canyon." During the District's 2020 SOI review, no new issues were identified. Staff, therefore, recommends that the Commission approve the resolution adopting the SOI Statement of Determinations and reaffirm the District's SOI – **Attachment C**.

### **AGENCY COMMENTS**

The Public Review Draft MSR was made available on August 24, 2020 through the OC LAFCO website for review and comment by affected agencies and the public. On August 31, 2020, the Metropolitan Water District of Southern California (Metropolitan) requested

mapping and parcel data to assist Metropolitan in confirming that the MWDOC SOI and service boundaries are in alignment with Metropolitan's boundaries for its member agencies. The requested information has been provided, and staff will continue discussions with Metropolitan staff to ensure that the boundary maps for the respective agencies are accurately reflected and updated. No other comments were received at the publishing of the agenda on September 2, 2020.

### **ENVIRONMENTAL REVIEW**

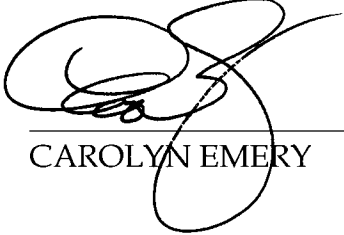
Orange LAFCO is the lead agency under the California Environmental Quality Act (CEQA) for the MSR and SOI reviews for MWDOC. Staff reviewed the CEQA Guidelines and recommends that the Commission find the MSR and SOI reviews exempt from CEQA under CEQA Guidelines § 15262 (Feasibility and Planning Studies). See **Attachment B (Exhibit 1)** and **Attachment C (Exhibit 1)** - MSR and SOI Notices of Exemption for MWDOC.

### **RECOMMENDATION**

Staff recommends that the Commission take the following actions:

1. Receive and file the *Municipal Service Review for the Municipal Water District of Orange County* (Attachment A).
2. Approve the Orange LAFCO Resolution(MSR 20-09) adopting the Municipal Service Review Statement of Determinations for the Municipal Water District of Orange County (Attachment B).
3. Approve the Orange LAFCO Resolution(SOI 20-10) adopting the Sphere of Influence Statement of Determinations and reaffirming the sphere of influence for the Municipal Water District of Orange County (Attachment C).
4. Approve the Notice of Exemption for the Municipal Service Review for the Municipal Water District of Orange County (Attachment B, Exhibit 1).
5. Approve the Notice of Exemption for the Sphere of Influence Review for the Municipal Water District of Orange County (Attachment C, Exhibit 1).

Respectfully Submitted,

  
\_\_\_\_\_  
CAROLYN EMERY  
\_\_\_\_\_  
GAVIN CENTENO

Attachments:

- Attachment A: *Municipal Service Review for the Municipal Water District of Orange County*
- Attachment B: MSR Resolution(MSR 20-09) for the Municipal Water District of Orange County
- Attachment C: SOI Resolution(SOI 20-10) for the Municipal Water District of Orange County



**MUNICIPAL SERVICE REVIEW  
FOR THE  
MUNICIPAL WATER DISTRICT OF ORANGE  
COUNTY**



PUBLIC REVIEW DRAFT

September 9, 2020

## **ACKNOWLEDGEMENT**

Orange County LAFCO acknowledges the time and effort of the staff of the Municipal Water District of Orange County in the preparation of this report and for the generating of specific data and oral and written responses for use by Orange County LAFCO.

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### **LIST OF ACRONYMS and ABBREVIATIONS**

AF	Acre Feet
CCR	Consumer Confidence Reports
CKH Act	Cortese-Knox-Hertzberg Local Government Act of 2000
CMWD	Coastal Municipal Water District
CRA	California River Aqueduct
DUC	Disadvantaged Unincorporated Community
FY	Fiscal Year
G.C.	Government Code
GWRS	Groundwater Replenishment System
JPA	Joint Powers Authority
LAFCO	Local Agency Formation Commission
Metropolitan	Metropolitan Water District of Southern California
MSR	Municipal Service Review
MWDOC	Municipal Water District of Orange County
OCMWD	Orange County Municipal Water District
OPEB	Other Post-Employment Benefits
OCFA	Orange County Fire Authority
OCSD	Orange County Sanitation District
OCWD	Orange County Water District
PIO	Public Information Officer
SB	Senate Bill
SDLF	Special District Leadership Foundation
SOI	Sphere of Influence
SWP	State Water Project
WEROC	Water Emergency Response Organization of Orange County

## CHAPTER ONE | INTRODUCTION

### 1.0 History and Mission of Local Agency Formation Commissions

Local Agency Formation Commissions (LAFCOs) were created in 1963 by the California Legislature to oversee the logical formation and determination of local agency boundaries that encourage orderly growth and development which are essential to the social, fiscal and economic well-being of the State. LAFCOs' authority to carry out this legislative charge is codified in the Cortese-Knox Hertzberg Reorganization Act of 2000 ("CKH Act"). Over the past 57 years, the CKH Act has been amended to give more direction to LAFCOs and, in some cases, expand the authorities of the Commissions. One of the most important revisions to the CKH Act by the Legislature occurred in 2000. Among those revisions was a requirement that LAFCOs update the spheres of influence for all cities and special districts every five years, and in conjunction with this responsibility, prepare comprehensive studies that are known as "municipal service reviews."

### 1.1 Authority and Powers of LAFCOs

Codified within the CKH Act are the procedures and processes for LAFCOs to carry out their purposes that have been established by the Legislature. LAFCOs' purposes are guided and achieved through their regulatory and planning powers and acknowledge that the local conditions of the 58 California counties shall be considered in part to the Commissions' authorities. A description and distinctions of those powers are described below.

#### CKH Act (G.C. Section 56301) – Purposes of LAFCOs

*"Among the purposes of a commission are discouraging urban sprawl, preserving open-space and prime agricultural lands, encouraging the efficient provision of government services, and encouraging the orderly formation and development of local agencies based upon local conditions and circumstances."*

#### 1.1.1 Regulatory Authorities

LAFCOs' regulatory authorities include the reviewing and approving or denying of proposals to change the jurisdictional boundaries of cities and special districts. Specifically, these types of boundary changes that are commonly referred to as "changes of organization" include:

- City Incorporation and Disincorporation
- District Formation and Dissolution
- City and District Annexations and Detachments
- City and District Consolidations
- Merger of a City and District
- Establishment of a Subsidiary District

- Activation of new or different functions or classes of services, or divestiture of power to provide services for special districts

Additionally, LAFCOs' regulatory authority includes overseeing the process for a city or special district to provide new or extended services by contract or agreement outside its jurisdictional boundaries. In addition to the law under which they are governed, many LAFCOs have established local policies and procedures to support the efficient and effective processing of these changes of organization.

### 1.1.2 Planning Authorities

From 1973 to present, LAFCOs' planning authorities are carried out through the establishment and updating of agencies spheres of influence. A sphere of influence (SOI) is a tool used by commissions to define a city or special district's future jurisdictional boundary and service areas. Through the reform of the CKH Act in 2000, the preparation of comprehensive studies (Municipal Service Reviews or MSRs) that analyze service or services within the county, region, subregion, or other designated geographic area was added to the LAFCO's planning responsibility. The determinations that LAFCOs must review, analyze and adopt for SOIs and MSRs are discussed below.

### *Spheres of Influence*

In order to carry out the purposes and responsibilities for planning and shaping the logical and orderly development and coordination of local governmental agencies, LAFCOs are required to establish and determine the sphere of influence (SOI) of each city and special district in their respective county and enact policies that further support this authority. SOIs are established to identify the probable jurisdictional boundaries and service areas for these affected agencies. State law requires that all changes of organization (i.e. annexation, detachment) be consistent with the SOI independently established by the Commission for each city and special district. The statute further requires SOIs to be reviewed every five years and updated as conditions warrant.

With each SOI that is established, amended or updated, LAFCOs are required to consider and prepare written statements of its determinations with respect to the following factors codified in Government Code (G.C.) Section 56425:

- (1) Present and planned land uses in the area, including agricultural and open-space lands.
- (2) Present and probable need for public facilities and services in the area.
- (3) Present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.

- (4) Existence of any social or economic communities of interest in the area.
- (5) If a city or special district provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, the present and probable need for those facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.

### *Municipal Service Reviews*

Municipal Service Reviews (MSRs) are the core of LAFCOs planning responsibility and are generally prepared in conjunction with SOI reviews and updates. MSRs involve comprehensive reviews and regional studies on future growth and how local agencies are planning for their municipal services and infrastructure systems. These studies are prepared before or in conjunction with the establishment, review or update of an SOI and are generally intended to inform in the areas of efficiency and affordability of infrastructure and municipal service delivery and assist LAFCOs in the review and initiation of changes of organization.

In accordance with G.C. Section 56430, with each MSR that is prepared, LAFCOs are required to prepare written statements of its determinations with respect to each of the following:

- (1) Growth and population projections for the affected area.
- (2) The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the affected sphere of influence.
- (3) Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies including needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged, unincorporated communities within or contiguous to the affected sphere of influence.
- (4) Financial ability of agencies to provide services.
- (5) Status of, and opportunities for, shared facilities.
- (6) Accountability for community service needs, including governmental structure and operational efficiencies.
- (7) Any other matter related to effective or efficient service delivery, as required by commission policy.

## **1.2 Orange County Local Agency Formation Commission**

The Orange County Local Agency Formation Commission (Orange LAFCO) is responsible for overseeing the boundaries, establishing and updating SOIs, and preparing MSRs for the County's 34 cities and 34 independent and dependent special districts. Since its creation, the Commission has formed nine cities, approved several

changes of organization and reorganization involving cities and special districts and encouraged orderly development through the establishment of agency SOIs and preparation of numerous studies. Orange LAFCO has also provided proactive leadership on efficient government through its Unincorporated Islands Program and an innovative presence through its Shared Services and Fiscal Indicators Web-based programs. In addition to State law, the Commission's authority is guided through adopted local policies and procedures that assist in the implementation of the provisions of the CKH Act and consideration of the local conditions and circumstances of Orange County.

### **1.2.1 Commission Composition**

Orange LAFCO is comprised of 11 members, with seven serving as regular members and four serving as alternate members. The members include: three county supervisors, three city council members, three independent special district members, and two representatives of the general public. All members serve four-year terms and there are no term limits. In accordance with the statute, while serving on the Commission, all commission members shall exercise their independent judgement on behalf of the interests of residents, property owners, and the public as a whole.



The current Orange LAFCO members are shown in Table 1.

<b>Table 1: Orange County LAFCO – Commission Roster (as of July 1, 2020)</b>		
<b>Commissioner</b>	<b>Appointing Authority</b>	<b>Current Term</b>
Cheryl Brothers, Chair <i>City Member</i>	City Selection Committee	2018-2022
Douglass Davert, Vice Chair <i>Special District Member</i>	Independent Special District Selection Committee	2018-2022
Derek J. McGregor, Immediate Past Chair <i>Public Member</i>	Commission	2018-2022
Lisa Bartlett, <i>County Member</i>	Board of Supervisors	2019-2023
Wendy Bucknum, <i>City Member</i>	City Selection Committee	2020-2024
James Fisler, <i>Special District Member</i>	Independent Special District Selection Committee	2020-2024
Donald P. Wagner, <i>County Member</i>	Board of Supervisors	2018-2022
Kathryn Freshley, <i>Alternate Special District Member</i>	Independent Special District Selection Committee	2018-2022
Lou Penrose, <i>Alternate Public Member</i>	Commission	2017-2021
Mike Posey, <i>Alternate City Member</i>	City Selection Committee	2020-2024
Michelle Steel, <i>Alternate County Member</i>	Board of Supervisors	2019-2023
Carolyn Emery, <i>Executive Officer</i> Scott Smith, <i>Legal Counsel</i>		

### 1.2.2 Meeting and Contact Information

The regular meetings of the Commission are held on the second Wednesday of the month at 8:15 a.m. The meetings are conducted in the Hall of Administration – Planning Commission Hearing Room located at 333 W. Santa Ana Boulevard, 10 Civic Center Plaza, Santa Ana, CA 92705. The Orange LAFCO administrative offices are centrally located at 2667 North Main Street, Suite 1050, Santa, CA 92701. Commission staff may be reached by telephone at (714) 640-5100. The agency's agendas, reports, and other resources are available online at [www.oclafco.org](http://www.oclafco.org).

## CHAPTER TWO | EXECUTIVE SUMMARY

### **2.0 Purpose of Review**

Orange LAFCO is required to conduct an MSR for all cities and special districts within Orange County. Orange LAFCO's policy for MSRs involves preparing future-oriented studies that are educational and valuable to stakeholders and the public by raising awareness about effective service delivery and opportunities to provide municipal services efficiently, equitably, and reliably. Since 2003, Orange LAFCO has responded to this mandate by completing a review of each Orange County city and special district SOI and preparing regional MSRs.

This Municipal Service Review (MSR) provides a comprehensive review of the municipal services provided by the Municipal Water District of Orange County (MWDOC) and a review of the District's current SOI. It has been prepared to assist the Orange LAFCO in meeting the requirements of G.C. Sections 56425 and 56430 and does not require Orange LAFCO or MWDOC to initiate changes of organization based on service review findings. The Public Review Draft of the MSR was made available on August 24, 2020 through the Orange LAFCO website for review and comment by affected agencies and the public. Comments submitted by September 2, 2020 have been addressed and, if warranted, incorporated into this report.

### **2.1 Agency Overview**

The Municipal Water District of Orange County (MWDOC) was formed in 1951 to import wholesale water from the Metropolitan Water District of Southern California (MWD). Formed under the Municipal Water District Act of 1911, the District's service area includes fourteen (14) cities, thirteen (13) special districts and one private water agency. Serving over 2.4 million Orange County residents, MWDOC's key services includes: wholesale water supplier and resource planning efforts for water supply development, water use efficiency, water education and emergency preparedness. The District also provides regional leadership on legislative advocacy and shared services opportunities. Upon consolidation with the Coastal Municipal Water District in 1999, MWDOC, as the successor agency became the third largest member of the MWD. MWDOC is an independent special district governed by a seven-member Board of Directors elected to represent a specific portion of Orange County. Additionally, as the third largest member agency of MWD, the District is represented through four seats on the MWD Board of Directors. The District's profile is shown in Table 2.

**Table 2: Agency Profile**

District:	Municipal Water District of Orange County
Agency Type:	Independent Special District
Address:	18700 Ward Street, Fountain Valley, CA 92708.
Date Formed:	1951
Key Services:	Regional water wholesaler and resource planning agency, managing Orange County's imported water supply with the exception of the cities of Anaheim, Fullerton, and Santa Ana.
<b>Service Area</b>	
Location:	Orange County (except Cities of Anaheim, Fullerton and Santa Ana).
Service Area:	600 square miles
Land Uses:	Residential, Commercial, industrial, institutional, and open space.,
Population Served:	2,365,244
Last MSR Conducted:	November 14, 2007
<b>Governance</b>	
Local Representation:	Seven-member Board of Directors, with each board member representing a division and elected to a four-year term by voters within their division.
Board Compensation:	Board members are compensated \$311.84 per meeting for up to ten meetings per calendar month. Members eligible for medical, dental, vision and life insurance and participation in a 401(a) and 457 plans.
Meeting:	Monthly, 3 <sup>rd</sup> Wednesday of every month at 8:30 a.m. Meetings are held at the District office and open to the public.
Website:	<a href="http://www.mwdoc.com">www.mwdoc.com</a>
Agency Contact:	Robert Hunter, General Manager

## **2.2 What Did We Learn?**

During the conducting of the MSR for MWDOC, there were many notable areas discovered:

- Since MWDOC's last comprehensive MSR in 2007, the District has adopted policies and implemented programs to enhance services provided to its member agencies and address issues that were raised by member agencies in the initial MSR. The efforts by the District include the following:
  - The establishment of "CHOICE" services. The services are provided as an optional program available to member agencies who can elect to participate in the District's Water Education School, Water Use Efficiency and the Water Loss Programs.
  - The establishment of Water Loss Control Shared Services Business Plan. The shared services business plan provides retail agencies flexible and cost-effective access to specific water loss control technologies and expertise to improve water loss within their systems under a partnership with MWDOC.
  - In 2017, a financial consultant was hired to review the District's reserve policy and balances for conformity with industry standards and best practices. During this review it was determined that the District's existing reserve levels were within the recommended range for industry best practices.
- During the 2014-2015 drought, Governor Brown issued a statewide mandate for local water agencies to reduce water use by 25%. MWDOC assisted its member agencies in the conservation effort by using various outreach efforts to residents, such as flyers, pamphlets, newsletters, and social media.
- During the past four years, the District's budget has increased by 41%. The majority of these increases are due to the volume of water supplies purchased from the Metropolitan Water District of Southern California. Water purchases are based on the availability of local supplies and total demands.

### **2.3 Municipal Service Review Statement of Determinations**

The municipal services provided by MWDOC were first comprehensively reviewed by Orange LAFCO in 2007. The MSR determinations for the District were reviewed and reconfirmed in 2008 and 2013. This section includes the Statement of Determinations for the 2020 comprehensive review of services provided by MWDOC. The seven determinations are examined in more detail beginning on page 13 of this report.

#### **RECOMMENDATION:**

Staff recommends the Commission adopt the MSR Statement of Determinations for the Municipal Water District of Orange County (MWDOC) shown in *Exhibit 1*.

*Exhibit 1*

**Municipal Water District of Orange County  
Municipal Service Review (MSR)**

**STATEMENT OF DETERMINATIONS**

**DETERMINATION 1: GROWTH AND POPULATION PROJECTIONS FOR THE  
AFFECTED AREA**

MWDOC currently delivers imported water to more than 2.3 million Orange County residents through its 28 retail member agencies. Over the next 10 years, the population within the District's service area is expected to experience a modest increase of approximately five percent, and by 2040, MWDOC's service boundary is projected to include 2.6 million Orange County residents and 933,506 housing units. Most of the population growth within the District's service area will occur within the cities of Brea, Cypress, and Irvine. The population projections for this study are based on data provided by the Center for Demographic Research (CDR) at California State University Fullerton (CSUF).

The projected growth within MWDOC's boundary has been considered in the 2015 Urban Water Management Plan and 2018 Orange County Water Reliability Study prepared by MWDOC in collaboration with the retail water agencies. The anticipated growth is used as a basis to determine if the water supply is adequate, reliable and affordable. It is expected that the water supply needs of MWDOC's member agencies and customers will be met over the next 20 years.

**DETERMINATION 2: THE LOCATION AND CHARACTERISTICS OF ANY  
DISADVANTAGED UNINCORPORATED COMMUNITIES WITHIN OR CONTIGUOUS  
TO THE AFFECTED SPHERE OF INFLUENCE**

The MWDOC sphere of influence includes a total of three disadvantaged unincorporated communities (DUCs) adjacent to and within the spheres of influence of the cities of Westminster and Stanton. The DUCs are part of larger unincorporated communities and are substantially or completely surrounded by the adjacent city. The land use within the DUCs include residential and commercial.



*Exhibit 1*

**Municipal Water District of Orange County  
Municipal Service Review (MSR)**

**STATEMENT OF DETERMINATIONS**

**DETERMINATION 3: PRESENT AND PLANNED CAPACITY OF PUBLIC FACILITIES, ADEQUACY OF PUBLIC SERVICES, AND INFRASTRUCTURE NEEDS OR DEFICIENCIES INCLUDING NEEDS OR DEFICIENCIES RELATED TO SEWERS, MUNICIPAL AND INDUSTRIAL WATER, AND STRUCTURAL FIRE PROTECTION IN ANY DISADVANTAGED, UNINCORPORATED COMMUNITIES WITHIN OR CONTIGUOUS TO THE AFFECTED SPHERE OF INFLUENCE.**

Currently, north Orange County retail water agencies meet their water supply needs mainly from the Orange County Groundwater Basin, while southern retail providers depend more heavily on imported water. As the population within MWDOC and its member agencies' service boundaries grow modestly over the next 20 years, the District will continue to address any correlating increases in the demand for services through the 2018 Urban Water Management Plan and water reliability studies coordinated with the member agencies. This planning by the District and member agencies includes addressing public services and infrastructure involving water supply needs of the three disadvantaged unincorporated communities located with the District's jurisdictional boundary.

Additionally, MWDOC administers the Water Emergency Response of Orange County (WEROC). WEROC was established to support and manage the emergency preparedness, planning, response, and recovery efforts among Orange County water and wastewater service providers. A critical part of WEROC's planning efforts includes the close coordination with the Orange County Fire Authority (OCFA) involving areas identified as "High Fire Zones" within Orange County. The planning involves the development and preparation of a Hazard Mitigation Plan through a collaborative effort of WEROC member agencies and the Metropolitan Water District to identify critical water facilities and infrastructure needed to prevent and mitigate within these high fire zone areas. WEROC works with responding fire authorities on the sharing of data resources to mitigate the loss of essential facilities and to secure the delivery of water supplies within these zones.

*Exhibit 1*

**Municipal Water District of Orange County  
Municipal Service Review (MSR)**

**STATEMENT OF DETERMINATIONS**

**DETERMINATION 4: FINANCIAL ABILITY OF AGENCIES TO PROVIDE SERVICES.**

In 2020, MWDOC adopted the fiscal year 2020-2021 budget of \$236,585,012. The District's budget reflects the required resources to provide adequate, reliable, and affordable water supply needs to its member agencies. Approximately 95% (\$224,197,893) of MWDOC's expenditures are attributed to the water purchases from Metropolitan. The District purchases water from Metropolitan based on the water supply needs within Orange County and then recovers the cost of these purchases from its member agencies. Water purchases by MWDOC are based on the availability of local supplies and total demands. Since 2016, imported water rates have increased by approximately three percent each year.

The remaining five percent (\$12,387,119) of the District's budget is allocated for the agency's operations, staffing and programs that support other key efforts that include emergency preparedness, water efficiency, and legislative advocacy. Each of these represent benefits provided to the District's member agencies.

MWDOC's current reserves and fund balances total \$12,285,432. The District has indicated that these balances achieve the target levels established by MWDOC's Board of Directors to meet the agency's priorities and projects. These areas include construction and improvements to the agency's headquarters, capital fund balance for emergency preparedness, and multi-year projects, such as the conducting of reliability studies. Upon the completion of one-time projects, such as construction and improvements, it is expected that the District's reserve levels will decline.

**DETERMINATION 5: STATUS OF, AND OPPORTUNITIES FOR, SHARED FACILITIES.**

MWDOC currently engages in many resource sharing opportunities that support cost-effective and efficient level of services to its member agencies. These efforts include the administering of the Water Emergency Response Organization of Orange County (WEROC) and multiple programs that support the sharing, establishing and coordination

*Exhibit 1*

**Municipal Water District of Orange County  
Municipal Service Review (MSR)**

**STATEMENT OF DETERMINATIONS**

of resources among the District's member agencies. Additionally, MWDOC and OCWD have a shared facilities agreement to create efficiency in cost savings involving the maintenance and overhead costs of office facilities and property. The District is also exploring the expansion of the agency's water loss program to offer additional shared services to its member agencies.

**DETERMINATION 6: ACCOUNTABILITY FOR COMMUNITY SERVICE NEEDS, INCLUDING GOVERNMENTAL STRUCTURE AND OPERATIONAL EFFICIENCIES.**

MWDOC is an independent special district that serves 28 retail member agencies. The District's service area is geographically divided into seven divisions and the seven-member Board of Directors are elected by the voters within the division they represent. The District is accountable to the service needs of its community through board approved policies that support the efficient and transparent operations of the agency. The MWDOC Board of Directors conducts meetings twice a month and maintains a robust website that contains a wide range of information on the District's programs and services. The Board meetings are open to the public and are conducted in accordance with the provisions of the Ralph M. Brown Act.

Board of Directors are paid \$311.84 per meeting attended, up to 10 meetings per calendar month. The District provides the following benefits to its Directors: medical, dental and vision insurance; Directors are eligible for life insurance.

The District has received awards and been acknowledged for its efforts in promoting transparency and prudent fiscal practices. Additionally, the District is proactive in keeping member agencies and customers informed of the agency's operations and programs through the hosting of special events and proactive outreach that includes social media, digital publications and consumer reports.

**DETERMINATION 7: ANY OTHER MATTER RELATED TO EFFECTIVE OR EFFICIENT SERVICE DELIVERY, AS REQUIRED BY COMMISSION POLICY.**

No other matters were identified during the conducting of the MSR.

## 2.4 Sphere of Influence Statement of Determinations

The Commission first established the sphere of influence (SOI) of the Municipal Water District of Orange County (MWDOC) in 1984. Since that time, the District's SOI has been reviewed in conjunction with boundary change applications and during the preparation of previous MSRs. The most recent comprehensive review of the District's SOI was completed in 2007. This section includes the Statement of Determinations for the 2020 review of MWDOC's SOI. The five determinations are examined in more detail beginning on page 18 of this report.

### RECOMMENDATION:

Staff recommends the Commission adopt the Statement of Determinations as shown in *Exhibit 2* and reaffirm the District's SOI.

*Exhibit 2*

**Municipal Water District of Orange County  
Sphere of Influence (SOI)**

**STATEMENT OF DETERMINATIONS**

**DETERMINATION 1: THE PRESENT AND PLANNED LAND USES IN THE AREA,  
INCLUDING AGRICULTURAL AND OPEN-SPACE LANDS**

The MWDOC boundary includes the majority of Orange County, except the cities of Anaheim, Fullerton and Santa Ana, and open space areas located in the southeastern areas of the County. Land use throughout the District's sphere of influence and service area is governed by the County and respective cities and varies to include residential (single and multi-family), commercial, industrial, public, park and recreation, and open space. By 2040, the population within the MWDOC service area is expected to increase from approximately 2,409,260 to 2,604,438. MWDOC and the District's 28 members agencies address the present and future needs of the population served through planning documents that include, but are not limited to, general plans, capital improvement programs, urban water management plans, facilities master plans, and water reliability studies.

**DETERMINATION 2: THE PRESENT AND PROBABLE NEED FOR PUBLIC  
FACILITIES AND SERVICES IN THE AREA**

As the population within MWDOC's boundary grows modestly to approximately 2.6 million people by 2040, it is anticipated that there will also be only a modest increase in the demand for water services. The present and future water resources, demands, and projects within MWDOC's service area have been considered in the 2015 Urban Water Management Plan and 2018 Orange County Water Reliability Study prepared by MWDOC in collaboration with the retail water agencies. Retail water supply and the maintenance and operations of the infrastructure within MWDOC's boundary are provided by the District's 28 member agencies. These documents assess and identify adequate water supplies within the District's service area to ensure reliable water service delivery and relative cost projections.

**DETERMINATION 3: THE PRESENT CAPACITY OF PUBLIC FACILITIES AND  
ADEQUACY OF PUBLIC SERVICES THAT THE AGENCY PROVIDES OR IS  
AUTHORIZED TO PROVIDE**

*Exhibit 2*

**Municipal Water District of Orange County  
Sphere of Influence (SOI)**

**STATEMENT OF DETERMINATIONS**

MWDOC does not own or operate any water system infrastructures. However, the District does adequately provide services to its member agencies as the wholesale water provider and resource planning agency, as well as provide water use efficiency and outreach programs to the public. The present capacity of public facilities and adequacy of public services involving retail water resources are appropriately addressed by the 28 retail water providers within the MWDOC service area.

**DETERMINATION 4: THE EXISTENCE OF ANY SOCIAL OR ECONOMIC COMMUNITIES OF INTEREST IN THE AREA, IF THE COMMISSION DETERMINES THAT THEY ARE RELEVANT TO THE AGENCY**

There is a community of interest countywide for ensuring that water resources are reliable and available concurrent with needs.

**DETERMINATION 5: IF A CITY OR SPECIAL DISTRICT PROVIDES PUBLIC FACILITIES OR SERVICES RELATED TO SEWERS, MUNICIPAL AND INDUSTRIAL WATER, OR STRUCTURAL FIRE PROTECTION, THE PRESENT AND PROBABLE NEED FOR THOSE FACILITIES AND SERVICES OF ANY DISADVANTAGED UNINCORPORATED COMMUNITIES WITHIN THE EXISTING SPHERE OF INFLUENCE**

There is a total of three disadvantaged unincorporated communities within the MWDOC service area. Retail water providers to these areas are the City of Westminster and Golden State Water Company. The planning relative to the water resources for DUCs is appropriately addressed in the MWDOC and respective agencies' general plans, capital improvement programs, urban water management plans, facilities master plans, and water reliability studies. Additionally, WEROC, which is administered by MWDOC, work collaboratively with Orange County and wastewater service providers involving emergency preparedness, planning, response, and recovery efforts, including prevention and mitigation within high fire hazard zones.



## CHAPTER THREE | AGENCY OVERVIEW

### 3.0 History, Mission and Powers

Since its statehood in 1850, Californians have recognized the importance of having sufficient water supply to meet the demands of a constantly growing population. As the State's third most populous County, Orange County residents, as early as the 1900s, understood that water supply within the region was limited and needed to be expanded beyond what the Santa Ana River and what later would become the OCWD groundwater basin, could provide naturally. In an effort to seek alternative sources of water, in 1928, the Cities of Anaheim, Fullerton, and Santa Ana joined ten other Southern California cities in the formation of the Metropolitan Water District of Southern California (Metropolitan). The District was formed to import water from the Colorado River for the Southern California region. Coastal Municipal Water District (CMWD) was formed in 1941 to provide imported water to the coastal portion of Orange County. In the late 1940s, a severe drought occurred, encouraging the Orange County Municipal Water District (OCMWD) to provide access to imported water supplies to the remaining portions of Orange County. In 1969, the OCMWD changed the District's name to the Municipal Water District of Orange County (MWDOC).

In 2001, MWDOC and CMWD consolidated into a single wholesale water agency. The consolidation resulted in many benefits to its member agencies, such as increased representation at Metropolitan, a proactive role in regional planning, and consistent levels of service and wholesale water rates for cities, special districts, and other water providers in Orange County.

Today, MWDOC serves more than 2.4 million Orange County residents through its 28 member agencies and works collaboratively with its member agencies and other partners to establish water supply reliability through the management, expansion and diversification of Orange County's water supply portfolio. In this role, MWDOC provides leadership and facilitates the integrated planning for water resources, water demand management, the development of imported water service and rates and charges, and sponsorship of statewide water policy that supports regional reliability.

#### District Mission Statement

"To provide reliable, high-quality supplies from the Metropolitan Water District of Southern California and other sources to meet present and future needs, at an equitable and economical cost, and to promote water use efficiency for all of Orange County."

### **3.1 Board Composition and Staff**

MWDOC was formed under the Municipal Water District Act of 1911. Under the Act, MWDOC is generally, authorized to provide water services to consumers within a defined geographic area. The Act also establishes the governing board, outlines election requirements and identifies the range and limits of a special district's functions.

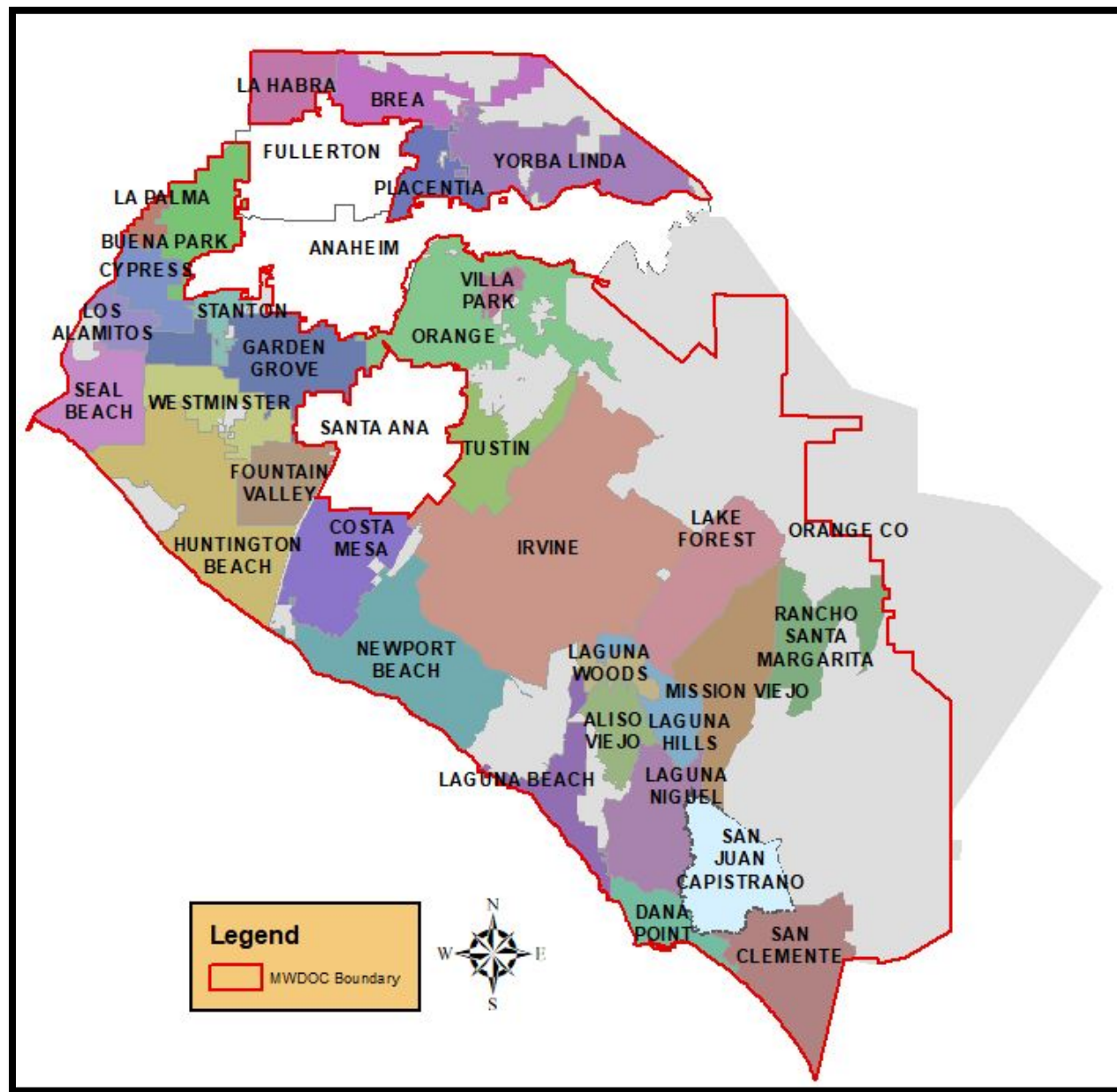
MWDOC is governed by an elected seven-member Board of Directors, with each board member representing a specific area of Orange County. The Directors are elected to a four-year term by the voters who reside within their respective MWDOC divisions. In addition to the leadership of the Board of Directors, the governance includes four standing committees that provide review and direction to the Board on (1) Planning and Operations, (2) Administration and Finance, (3) Public Affairs and Legislation, and (4) the Executive Committee. MWDOC employs 36 full time employees and six part-time/interns.

### 3.2 Member Agencies

MWDOC's service area encompasses approximately 600 square miles and 28 member agencies. The District's member agencies consist of 14 cities, 13 special districts, and Golden State Water Company, a private water retailer.

Table 3: MWDOC Member Agencies	
Special Districts	
East Orange County Water District	Moulton Niguel Water District
El Toro Water District	Orange County Water District
Emerald Bay Community Service District	Santa Margarita Water District
Irvine Ranch Water District	Serrano Water District
Laguna Beach County Water District	South Coast Water District
Mesa Water District	Trabuco Canyon Water District
Yorba Linda Water District	
Cities	
Brea	Newport Beach
Buena Park	Orange
Fountain Valley	San Clemente
Garden Grove	San Juan Capistrano
Huntington Beach	Tustin
La Habra	Westminster
La Palma	Seal Beach
Other	
Golden State Water Company	

**Figure 1: MWDOC Service Area Map**



## CHAPTER FOUR | MUNICIPAL SERVICE REVIEW

### 4.0 MSR History

The first MSR for MWDOC was prepared in 2007. The initial study involved a collaborative stakeholder process and comprehensive review of the District's services and operations. As part of that process, the MWDOC Board of Directors adopted policies to enhance its accountability to its member agencies, and the District's Sphere of Influence (SOI) was reconfirmed by the Commission. During subsequent MSRs conducted in 2008 and 2013, MWDOC's MSR determinations were reconfirmed, and the District's sphere was updated in April 2013 to include an area known as the "Fremont Canyon Areas." The update was completed to align MWDOC's SOI with the Irvine Ranch Water District, one of its member agencies, and to facilitate future annexation should the Fremont Canyon areas be developed.

### 4.1 Growth and Population Projections

The efficient delivery of municipal services is dependent upon the deliberative planning for the existing population and expected growth within the affected area. Understanding the impacts of the existing and future levels of demands for services assist service providers with the planning, maintaining and expansion of adequate service infrastructure.

The MWDOC service area includes approximately 2.4 million Orange County residents and is expected to experience a modest increase to approximately 2.5 million customers over the next 10 years. Factors that contribute to the steady rise in growth and impact to service delivery

**Table 4: MWDOC Service Area Projections<sup>1</sup>**

Year	Population	Housing	Employment
<b>2020</b>	2,408,985	880,197	1,347,627
<b>2025</b>	2,478,194	897,179	1,391,350
<b>2030</b>	2,540,101	908,870	1,428,264
<b>2035</b>	2,585,858	925,423	1,455,780
<b>2040</b>	2,604,157	933,506	1,475,798

include natural increases (births), employment, and new housing units. In 2019, there were a total of 35,612 recorded births in Orange County, and the labor force increased, resulting in an additional 5,500 residents to the populace. Additionally, the number of new housing units grew by approximately 0.9% (10,019 units). Out of the 28 member agencies within MWDOC's service territory, the Cities of Brea, Irvine, and Cypress experienced the

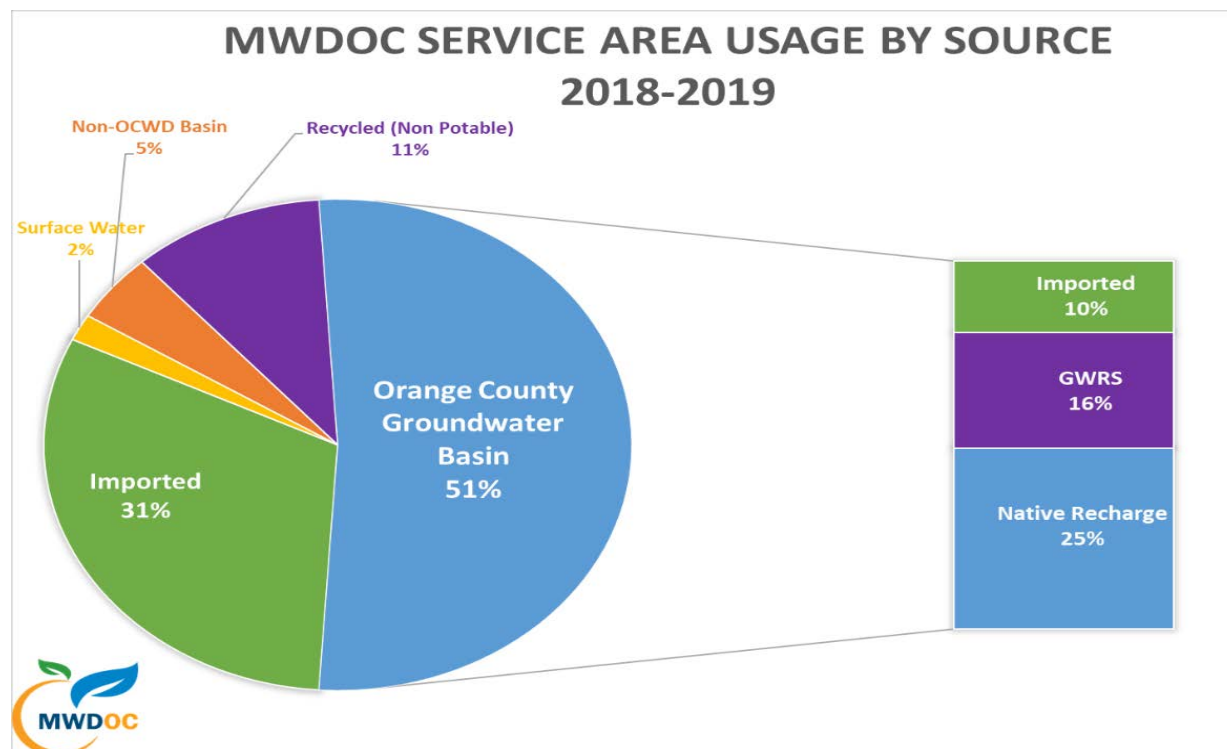
<sup>1</sup> Center for Demographic Research, 2020 Orange County Progress Report.

most population growth. The District has addressed anticipated growth within its boundary in the 2015 Urban Water Management Plan and 2018 Orange County Water Reliability Study prepared by MWDOC in collaboration with the retail water agencies. The anticipated growth is used as a basis to determine if the water supply is adequate, reliable and affordable. It is expected that the water supply needs of MWDOC's member agencies and customers will be met over the next 20 years.

#### 4.2 Capacity and Adequacy of Public Facilities and Services

Water is a critical municipal service, and local and regional coordination and management of its sources are key to efficient delivery to residents. The delivery of water sources within MWDOC's service area include both local and imported supplies. Local supplies include: groundwater, recycled water and surface water. Each source and MWDOC's role in the delivery of these supplies are discussed within this section. Figure 2 provides a representation of the water supply sources within MWDOC's service area for Fiscal Year 2018-19.

**Figure 2**





### *Imported Water*

In 2018-19, 41% of MWDOC service area's water source is imported water from the Metropolitan Water District of Southern California (Metropolitan). Metropolitan is a consortium of 26 cities and water agencies that provides imported water supplies to the Counties of Los Angeles, Orange, Riverside, San Bernardino, San Diego and Ventura. The agency utilizes two major sources, the State Water Project (SWP) and Colorado River Aqueduct (CRA), to provide and meet the needs of the Southern California region. Roughly half of Metropolitan's water supplies originate from the SWP, which runs from Lake Oroville in Northern California down to Southern California. The other half is provided by way of the CRA, which is a 242-mile water conveyance system that delivers water from the Colorado River to Metropolitan facilities.

As a countywide wholesale water agency, MWDOC is responsible for assessing and coordinating the imported water needs and delivery within the District's service area. To achieve this, MWDOC coordinates with its member agencies through annual projections and long-term forecasting of Orange County's imported water needs to Metropolitan. Currently, MWDOC purchases nearly 58.65 billion gallons per year of imported water that is delivered to the District's member agencies. However, not all of this imported water is distributed equally throughout the MWDOC service area. There are stark differences in the amount of imported water needed in the southern area of the County versus the northern area. Because of Orange County Groundwater Basin, most north Orange County retail agencies rely on 24% of imported water for their water supplies needs. While in the southern part of the County, the absence of groundwater requires most retail agencies to depend more heavily on imported water. The southern retail agencies rely on 74% of imported water to meet their water supply needs.

### *Groundwater*

Among all local supplies available to MWDOC's retail agencies, groundwater supplies make up the majority. The largest is the Orange County Groundwater Basin, which underlies most of the north half of Orange County. Managed by the Orange County Water District (OCWD), it meets approximately 70% of the water needs within the northern portion of the County. The Orange County basin is recharged by multiple sources, such as natural recharges, recycled water from the GWRS project, and imported water. MWDOC provides OCWD with imported water to keep the groundwater basin levels healthy. Through partnerships with MWDOC, OCWD, and Metropolitan, there are multiple programs that seek to enhance storage and improve the reliability of County. One such program is the Conjunctive Use Program, where a joint 25-year agreement facilitates the partnership of OCWD, MWDOC and Metropolitan to store imported water



in the Orange County Ground Water Basin and improvements of basin management facilities. The agreement allows for the withdrawal of up to 22,000 Acre Feet of water per year during dry years, droughts or emergencies. Benefits yielded from this program include capital funding for eight new production wells, partial funding of the seawater intrusion barrier injection well system, and funding of the Diemer Bypass project. Each project supports the efficiency and replenishment of groundwater supplies, which is a critical water source within MWDOC's service area. Other local groundwater sources within the District's services are include the San Juan Basin in South County and the La Habra basin in the North.

### *Recycled Water*

Recycled water continues to become a key water source of supply within Orange County, which currently represents 11% of the total water source in the MWDOC service area. With the support of MWDOC, there are several member agencies that treat, manage, and deliver recycled water within their respective retail service areas. One of the largest and most renowned recycled water project within MWDOC's service area is OCWD's Ground Water Replenishment System (GWRS), which turns wastewater, once considered unwanted water that would have been discharged to the ocean, into a reliable water source for the Orange County Groundwater Basin. The GWRS is managed through the partnership of OCWD and Orange County Sanitation District and can produce up to 100 million gallons of high-quality water per day, enough to meet the needs of nearly 850,000 residents in North and Central Orange County. Additionally, retail agencies located in South Orange County participate in recycled water efforts.

### *Surface Water*

Surface water captured in local reservoirs is limited and comprises about two percent of local water supply in MWDOC's service area. This water source is found throughout the earth's surfaces, such as creeks, streams, rivers, lakes, and reservoirs. The largest surface water reservoir in Orange County is Santiago Reservoir (Irvine Lake) which captures runoff from the upper Santiago Creek watershed; imported water is also stored in Santiago Reservoir. In other areas, surface water runoff percolates into alluvial materials or groundwater basins. Irvine Ranch Water District, Santa Margarita Water District and South Coast Water District capture and manage surface water supplies at certain locations. Surface water is managed by MWDOC's member agencies.

### 4.3 Regional Representation and Programs

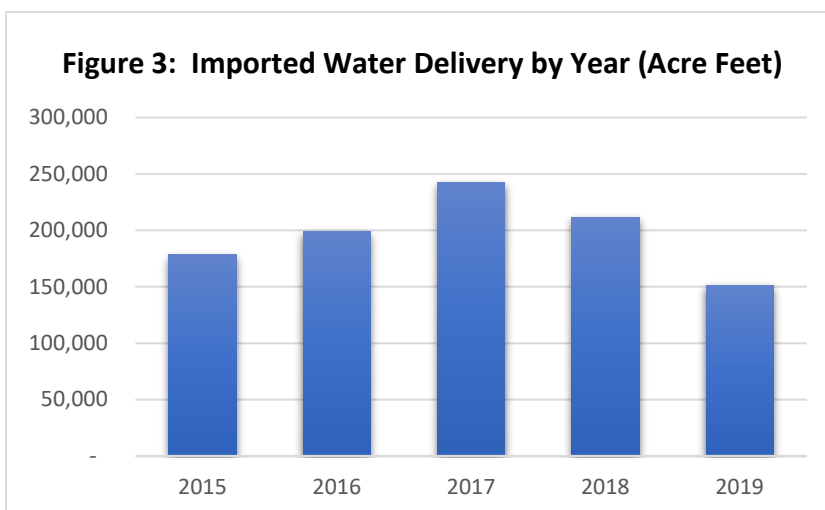
Although MWDOC does not own or operate any water infrastructure and does not have jurisdiction over local supplies, the District does offer programs and services that facilitate the delivery of reliable water supplies to the region. The District's regional representation and programs include multiple collaborative efforts.

#### *Representation at Metropolitan Water District of Southern California*

MWDOC appoints four representatives to advocate the interests of Orange County on the Metropolitan Board of Directors. Metropolitan is the largest water provider in the nation, and MWDOC is the third largest Metropolitan member agency; holding key leadership positions for committees that oversee Agriculture and Industry Relations, Bay-Delta, and Legal and Claims.

#### *Wholesale Water Supplier*

The District facilitates purchases of approximately 58.65 billion gallons of imported water per year through Metropolitan, which is delivered to its 28 member agencies for the provision of retail water service to its residents and customers. During the years of 2015-2019, MWDOC delivered approximately 982,586 Acre Feet (AF) of imported water to the Orange County region. Figure 3 depicts the amount in AF per year.



In 2015, the total acre-feet delivered was 178,581. This was below average mainly as a result of the Governor's call for a Statewide reduction in water usage due to the severe drought in 2014 and 2015. In 2016 and 2017, water usages started to increase due to above average temperatures and large purchases of replenishment water. The 2016-17 winter was historically the wettest year for Northern California, providing an abundance of imported water supplies. With groundwater basins depleted from the drought of 2014 and 2015, groundwater managers throughout Southern California, including Orange County Water District (OCWD), decided to take advantage of this abundant amount of

imported water supplies and purchase large quantities of imported water to replenish their groundwater basin. However, in 2018 and 2019 water usage started to decline due to cooler weather and above average precipitation, and the largest contributing factor to the recent decrease in imported water purchases, was the identification and regulation of PFOS/PFAS in groundwater basin. This potentially harmful chemical in the groundwater basin forced groundwater producers to increase treatment before delivery. This reduced groundwater pumping for many retail agencies and eliminated the need for OCWD to purchase roughly 65,000 AF per year of imported water to replenish the groundwater basin.

### *Emergency Preparedness and Coordination*

The Water Emergency Response Organization of Orange County (WEROC) is administered by MWDOC. WEROC supports and manages countywide emergency preparedness, planning, response, and recovery efforts among Orange County water and wastewater utilities.

### *Reliability Studies*

MWDOC regularly prepares studies that provide independent, consistent, and accurate information on current and future water supply conditions in Orange County. The studies also involve providing objective comparisons of local projects that can effectively meet the projected water demands for Orange County.

### *Water Awareness and Legislative Advocacy*

For more than 45 years, MWDOC's Public Information and Water Education programs have reached thousands of consumers and nearly 3,000,000 Orange County students. Additionally, the District provides legislative advocacy on issues such as water resource and infrastructure planning, development of imported water rates and charges, and sponsorship of statewide water policy that supports regional reliability.



The District's water education programs are designed to facilitate a student's understanding of current water issues as well as the challenges, opportunities, and costs involved in securing a reliable supply of high-quality water. The K-12 program was established in 1973 and provides appropriate curriculums on water education for elementary, middle, and high school students. Additionally, as part of its multi-faceted public education effort, MWDOC sponsors the Orange County Boy Scout Council's Soil & Water Conservation Merit Badge and offers the Water Resources and Conservation Patch produced jointly with Girl Scouts.

### *Water Use Efficiency Programs*

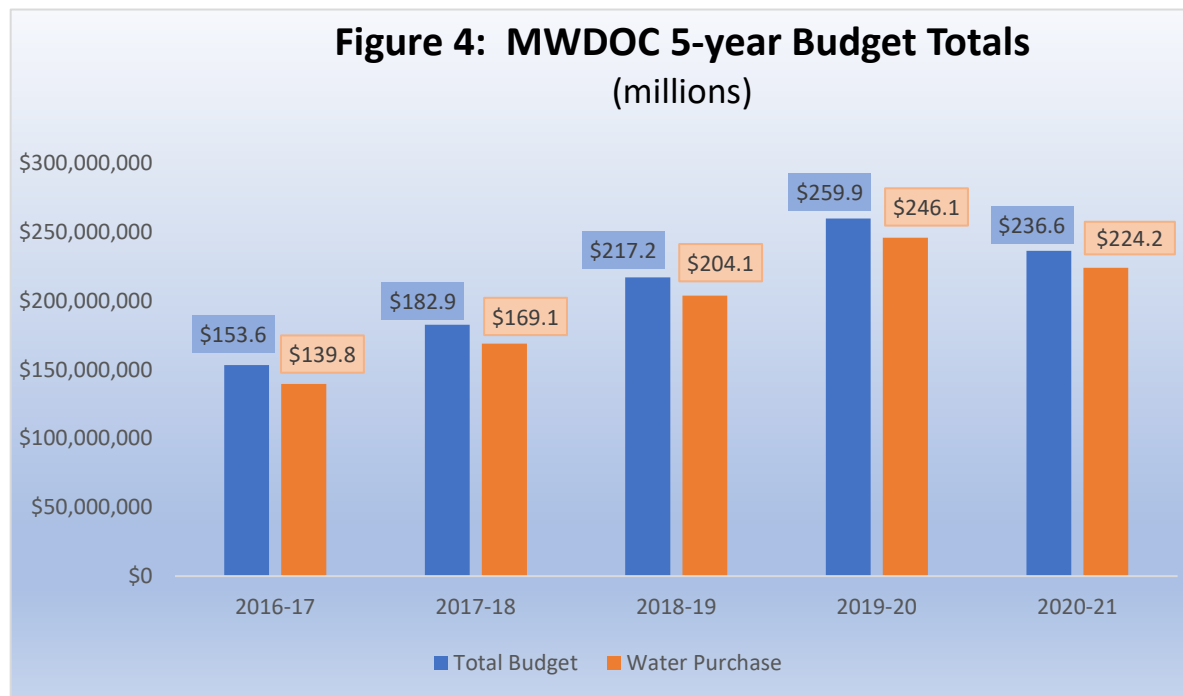
Since 1991, the District has offered educational classes, water use surveys, and a variety of consumer incentives for indoor and outdoor water-efficient devices for all residents and businesses throughout Orange County. Through the program, MWDOC provides a wide variety of water saving rebates and programs to residential, commercial, industrial and institutional customers. The District's administration of these programs includes assisting retail agencies with the marketing of efficiency in water use. The District's programs have resulted in the conservation of more than 17.1 billion gallons of water each year.

**Table 5: MWDOC Water Use Efficiency Rebates & Programs**

<ul style="list-style-type: none"> <li>• <b>Residential Rebates-</b> turf removal, smart sprinkler timers, drip irrigation, soil moisture sensors, rain barrels and cisterns, clothes washers and high efficiency toilets</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Commercial Rebates-</b> drip irrigation, rotating sprinkler nozzles, turf removal, smart sprinkler timers and central computer irrigation controller systems, high efficiency toilets and plumbing flow control valves, connectionless food steamers, cooling tower controllers, toilets, urinals, and air-cooled ice machines.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Residential Water Savings Program-</b> Free Landscape Design Assistance and California Friendly Landscaping Training</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Commercial Water Savings Program-</b> Water Savings Incentive and Recycled Water Conversion</li> </ul>

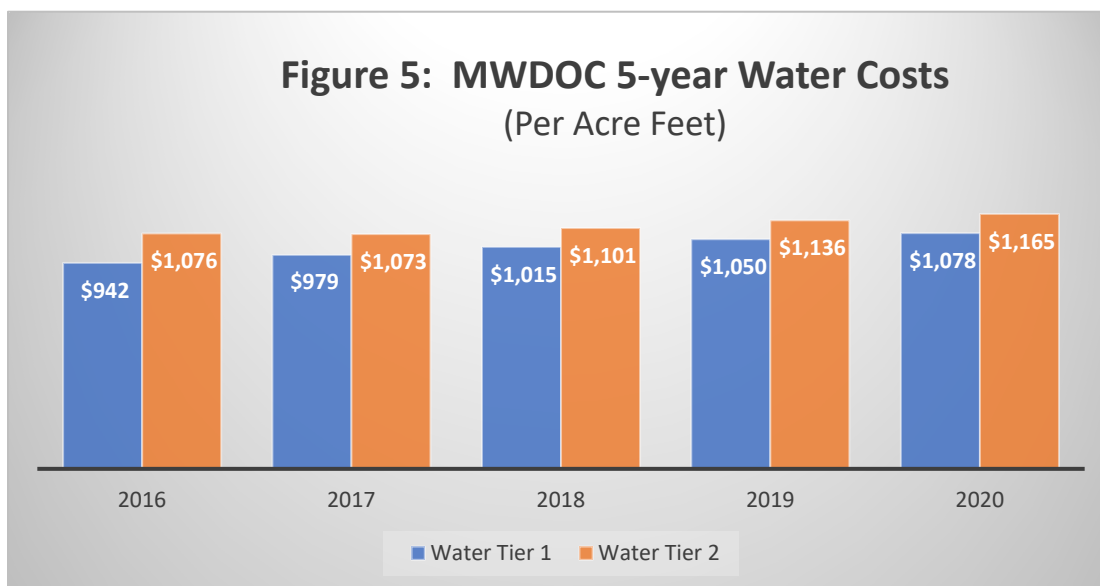
#### 4.4 Financial Overview

MWDOC adopted the District's fiscal year 2020-21 budget on May 20, 2020. The total budget of \$236,585,012 represents an approximate nine percent decrease over fiscal year 2019-2020. The approved budget reflects the required resources to provide efficient and cost-effective services to MWDOC's member agencies, including the purchase of imported water from Metropolitan.



During fiscal years 2016-2019, the District's budget increased annually between five to sixteen percent. The majority of these increases are due to the volume of water supplies purchased from Metropolitan, but they also include increases in other operational areas. The need for imported water in a given year can greatly influence the District's total budget. MWDOC determines the amount of imported water its agencies need by evaluating the availability of local supplies and total demands. Imported water typically makes up the difference between total demands and local supplies. In addition, there is imported water that OCWD purchases to replenish its groundwater basin, which can fluctuate year to year depending on the groundwater basin levels. Recently, the need for imported water has been low because of cooler weather, above average precipitation in Southern California, and a dramatic reduction in replenishment water which is the major reason why the FY 2020-21 budget is lower than last year.

An additional factor for past budget increases are due to the cost of purchasing imported water. Since 2016, imported water rates have increased by approximately 3.14 percent per year.

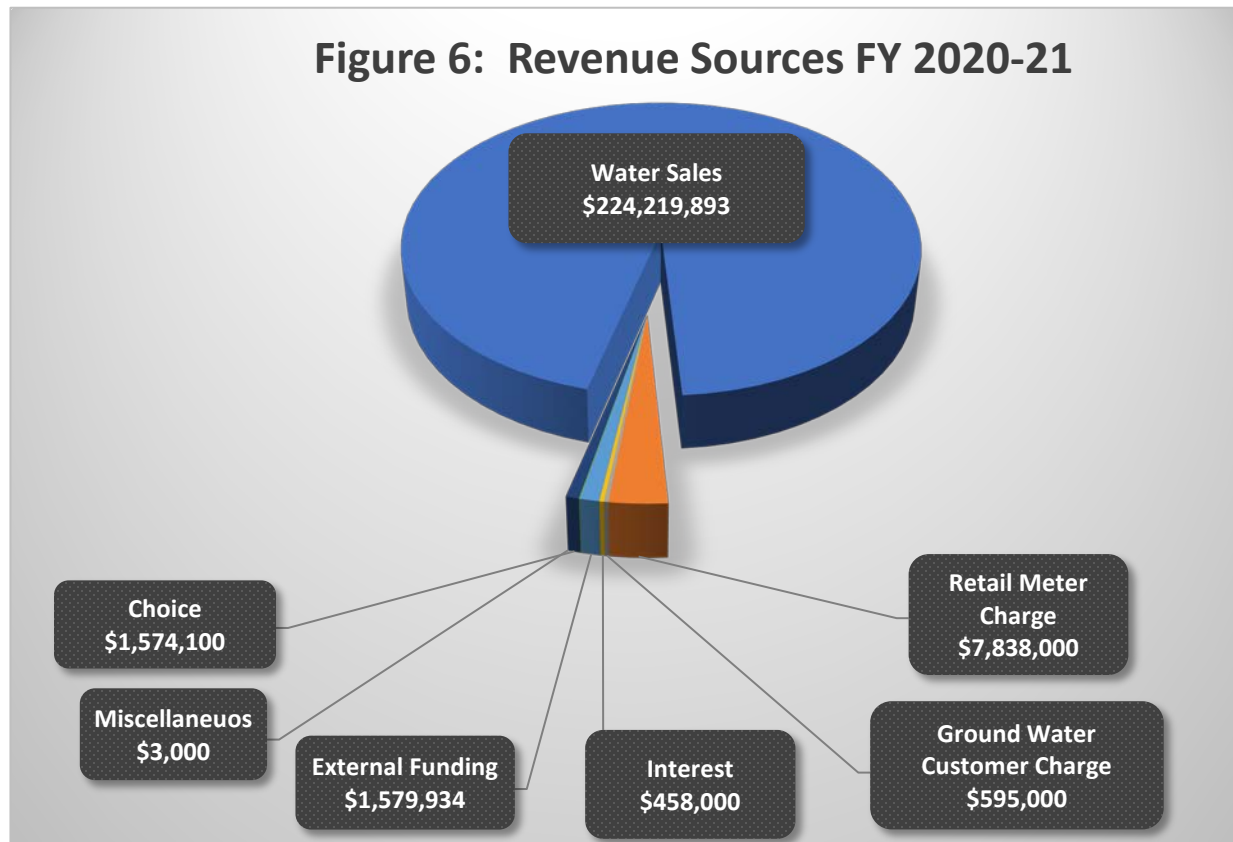


The District's key revenue sources include the following:

- **Water Sales**  
Represents 95% of District's total budget<sup>3</sup> and includes the water sales revenue from its member agencies based on volumetric purchases.
- **Retail Meter Charge**  
Fees assessed are based on the total number of meters a member agency has in its service area.
- **Groundwater Customer Charge**  
Charges assessed to groundwater customers based on the volume of water purchased.
- **External Funding**  
State and Federal grant funding received to assist with conservation rebates and water savings programs.
- **CHOICE**  
Optional programs available to member agencies for participation in the District's Water Education School Programs, Water Use Efficiency and the Water Loss Programs.
- **Interest & Miscellaneous**  
Interest earned from the District's investment portfolio, credit card rebates, insurance refunds for low claims, and delinquent water payments.

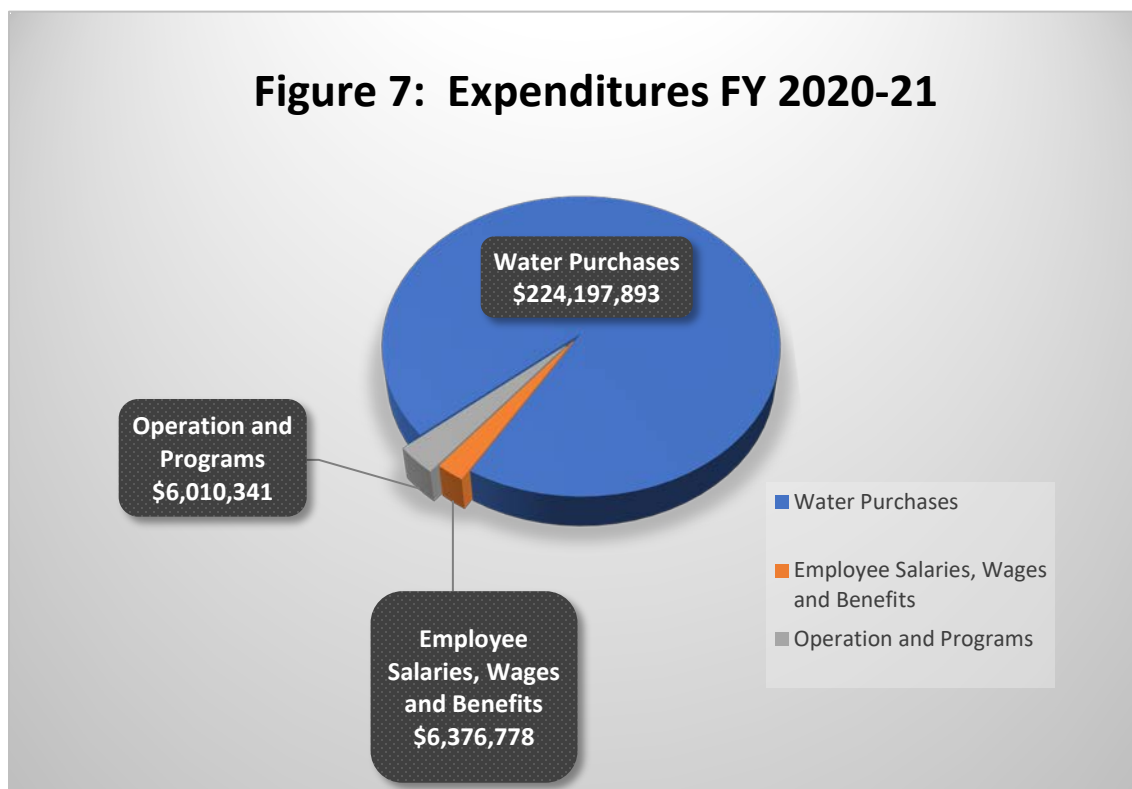


**Figure 6: Revenue Sources FY 2020-21**





**Figure 7: Expenditures FY 2020-21**



MWDOC's expenses for fiscal year 2020-2021 total \$236,585,012 and include the following key categories:

- **Water Purchases**  
Represents 95% of imported water purchases from Metropolitan.
- **Operation and Programs**  
Agency operational expenses (office lease, legal expense and professional fees)
- **Employee Salaries, Wages and Benefits**  
Board and employee compensation and benefits.

### *Debt Administration*

According to MWDOC's financial statements, the District has no debt outstanding as of June 30, 2019. No new long-term debt was incurred for the year ended June 30, 2019, and the District does not plan to issue new debt. Additionally, no debt has been issued in the past five years.

### *Reserves and Fund Balances*

One of MWDOC's goals is to have reserves fully funded and the budget balanced relative to meeting those reserve targets. Generally, if the combination of the previous fiscal years audited reserve balances and the current fiscal year-end projections indicate that the reserve target will be exceeded, then the proposed budget should include a draw from the reserve balance down to the target. Conversely, if the projected total will drop the reserve balance below the target then the proposed budget should increase the budgeted contribution to bring the reserves back up to target.

The reserve balances during the past five fiscal years have met the requirements of the reserve policy approved by the Board. In 2017, the District had an outside financial consultant review the reserve policy and balances for conformity with industry standards and best practices. The results of that study were adopted by the Board of Directors, and what the District continues to adhere to, keeping the reserve balances in the target range. The District's designated reserves and fund balances have increased by approximately 45% since 2015. This increase is attributed to construction and improvements to the District's headquarters, the creation of a capital fund balance for WEROC, and multi-year projects, such as the conducting of water reliability studies, in the unrestricted fund balances. It is also attributed to an increased election reserve, a newly established OPEB reserve and the general accrual of year-end cash flow and inflation in the designated reserves. Building construction will begin this fiscal year, continuing through next fiscal year and will significantly reduce the fund balances. Five percent of the 45% increase since 2015 is from the restricted fund balance due to interest earned each year on the minimum required balance. Table 6 depicts MWDOC's designated reserve restricted and unrestricted fund balances over the most recent five-year fiscal periods.

Table 6: MWDOC 5-Year Total Reserves and Fund Balances					
	2015-16	2016-17	2017-18	2018-19	2019-20
Unrestricted Reserves	\$4,783,279	\$5,367,128	\$5,519,983	\$6,132,465	\$6,767,573
Restricted Reserves	\$958,781	\$965,758	\$975,268	\$991,903	\$1,015,885
Unrestricted Funds	\$1,390,613	\$2,345,345	\$2,833,074	\$3,895,954	\$4,501,974
<b>Total</b>	<b>\$7,321,673</b>	<b>\$8,678,231</b>	<b>\$9,328,325</b>	<b>\$10,030,313</b>	<b>\$12,285,432</b>

MWDOC's reserve policy is categorized into three areas: unrestricted reserves, restricted reserves, and unrestricted funds. The balance of unrestricted funds are temporary funds that are not reserves and are described above.

**Unrestricted Reserves:**

- *General Operation*  
This subcategory is dependent upon end of the year cash flow, grant payments and other factors influencing the District's cash balance. This section may increase dependent on the inflation rate each year.
- *Grant & Project Cash Flow*  
This subcategory is dependent upon the number of invoices sent to granting agencies, which is then refunded to MWDOC for its use of the grant.
- *Election Expense*  
This subcategory is managed to fund seven elections every four years. Based on the year 2016 election costs MWDOC has determined that \$1.22 million (or \$174,000 per division) is sufficient to cover seven elections. This requires that \$304,000 be contributed to the election reserve annually. In the event the election funds are not fully utilized, the Board may consider other uses that would lower the long-term costs of the District.
- *Building Repair*  
This subcategory maintains a minimum of \$350,000 that is adjusted periodically to reflect the improvement needs of the office facility.

**Restricted Reserves:**

- *OPEB*  
This subcategory is for long-term liabilities, MWDOC staff examined the demographics of OPEB liability and estimated that the bulk of the liability will occur by 2023. This is due to a number of long-term employees who have access to lifetime medical coverage. The Board requested staff to fully fund the OPEB liability in 2016. The Actuarial recommendation is to fund between 85%-95% and the remaining amount was allocated in a reserve fund, as to not overfund the OPEB trust.
- *Tier 2 Contingency Fund*  
This subcategory is for the purchase of Tier 2 water from MET. This fund pays for the difference between MET Tier One and Tier Two water rates, in the event MWDOC purchases water from MET exceeds the Tier One block of allowable purchases. The MWDOC Board established the minimum fund target at approximately 40 days or \$1,000,000, due to the likelihood of purchasing MET water above the Tier 1 limit.

### Unrestricted Funds:

- *WEROC*

This subcategory fluctuates on an as-needed basis with Operational Reserve used for unforeseen expenses and a Capital Reserve to enhance infrastructure and emergency systems.

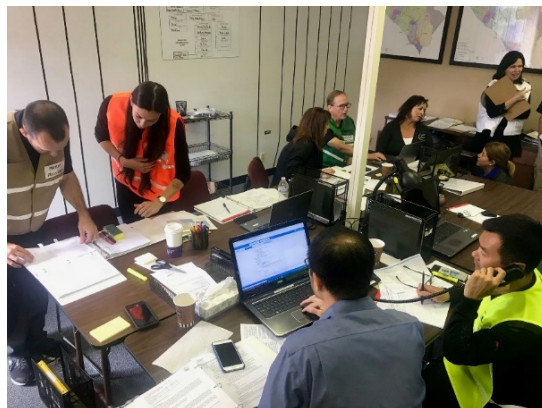
## 4.5 Status of and Opportunities for Shared Facilities

The sharing of resources, which may include staffing, facilities, and programs, may result in the reduction of service costs and potentially improve efficiencies of service delivery. Sharing of resources through the excess system and other capacities may also decrease duplicative efforts and result in a more cost-effective function of services.

MWDOC currently engages in many resource sharing opportunities that support cost-effective and efficient level of services to its member agencies. Those shared efforts are highlighted in the next section of this report.

### *Water Emergency Response Organization of Orange County (WEROC)*

Administered by MWDOC, WEROC was established in 1983 to support and manage the emergency preparedness, planning, response, and recovery efforts among Orange County water and wastewater service providers. This collaborative effort is funded by multiple special districts and cities that include Anaheim, Fullerton, Santa Ana, Orange County Sanitation District, Orange County Water District and South Orange County Wastewater Authority. Additionally, WEROC maintains two Emergency Operations Centers (EOC), which play a crucial role in the coordination of emergency response operations during large scale disasters. As part of its planning efforts, WEROC works closely with the Orange County Fire Authority to identify High Fire Zones as part of the Hazard Mitigation Plan. In addition, WEROC staff worked with its member agencies and Metropolitan Water District to identify critical water facilities within the path of the fire and assessed the potential impacts of facility lost. This critical information was shared with the responding fire authorities to mitigate the loss of essential facilities and to secure the delivery of water supplies. The High Fire Zone map is appended on page 50.



### *Water Loss Control Technical Assistance Program*

In October 2015, MWDOC initiated the Water Loss Control Technical Assistance Program. The Program was established to assist agencies in complying with Senate Bill 555 (SB 555). This enacted legislation requires all urban water suppliers to submit validated water balances to the California Department of Water Resources annually beginning October 1, 2017, and the establishment of a water loss standard by the Water Resources Board by July 1, 2020.



Through the water loss program, MWDOC coordinates the technical assistance provided by a consultant involving water loss to its member agencies. Additionally, the Program provides a forum for agencies in Orange County to engage and become more informed on the issues of regulations, techniques, and practices involving water loss. Since 2015, the efforts of this Program have evolved due to the interest of member agencies. Today, the initiative has been carried forward through the District's Water Loss Control Shared Services Business Plan and offers multiple services involving water loss to water providers throughout Orange County. The shared opportunity allows agencies to select from a menu of services provided by MWDOC. This proactive effort may be seen as a model for California agencies.

### *Grants Tracking and Reporting*

To assist its member agencies in identifying funding opportunities, MWDOC utilizes a professional consultant, Soto Resources, for grants tracking, writing and acquisition services. The consultant monitors and tracks potential project funding opportunities for MWDOC and its member agencies. MWDOC member agencies are provided with monthly updates of potential funding opportunities. Over the past two years, the utilization of the consultant has resulted in \$151 million in grants and other funding.



### *Shared Facilities and Services*

MWDOC and OCWD have a shared facilities agreement to create efficiency in cost savings where applicable. The agencies share maintenance and overhead costs of the office facilities and property. Both districts have benefited from operational cost savings; some of these items include plant/landscape maintenance, building maintenance, and joint building/site improvements.

### *Potential Shared Opportunities*

An additional shared service opportunity identified in discussion with MWDOC involves the expansion of the District's Water Loss Shared Services Program to include:

- *Fire Hydrant Maintenance*  
Identifies leaks early and preventing new leaks from forming. In doing so, this extends the life of fire hydrants.
- *Gate Valve Exercising*  
Identifies valves that need repair or replacement, this corrects and prevents leaks and allows for quick shutdowns during main break events that reduce the number of water services impacted and the amount of water lost to the break.
- *Air Release Valve Maintenance*  
Ensures that air is released from the pipes increasing water loss efficiency and protects the pipes from potential damage.
- *Cla-Val Automatic Control Valve Preventative Maintenance*  
Manages pressure in the distribution system, a key component of reducing background leakage and transient pressure events that can lead to pipe breaks. Often, they are adjusted at the time of installation but need regular preventative maintenance to continue to operate correctly.

### *Memberships with Joint Powers Agencies (JPAs)*

Joint Powers Agencies (JPAs) are created to allow public agencies to jointly share a common power, implement a program, build new facilities, or deliver a service. The California Legislature enacted legislation effective January 1, 2017, that requires JPAs formed by one or more public agencies for the purpose of providing a municipal service to file a copy of the agreement and any amendments to the agreement with their respective LAFCO. JPAs that fail to submit their agreements to their LAFCO will be prohibited from issuing bonds or incurring indebtedness of any kind until they meet this requirement. The intent of the legislation was to provide greater accountability of JPAs and encourage LAFCOs to include this information within Municipal Service Reviews.

MWDOC participates in multiple JPA agreements that involve joint operation and maintenance of facilities and infrastructure and the financing of insurance coverage. The joint agreements involving municipal service delivery include:

- Santiago Aqueduct Commission – Operation and maintenance of the Baker Pipeline (previously called the Santiago Aqueduct Commission Pipeline)
- Joint Exercise of Powers for Construction, Operation and Maintenance of the East Orange County Feeder No. 2 Pipeline – other parties are Metropolitan, Anaheim and Santa Ana

In accordance with State law, MWDOC has filed copies of the appropriate JPA agreements for which the District is a participant with LAFCO.

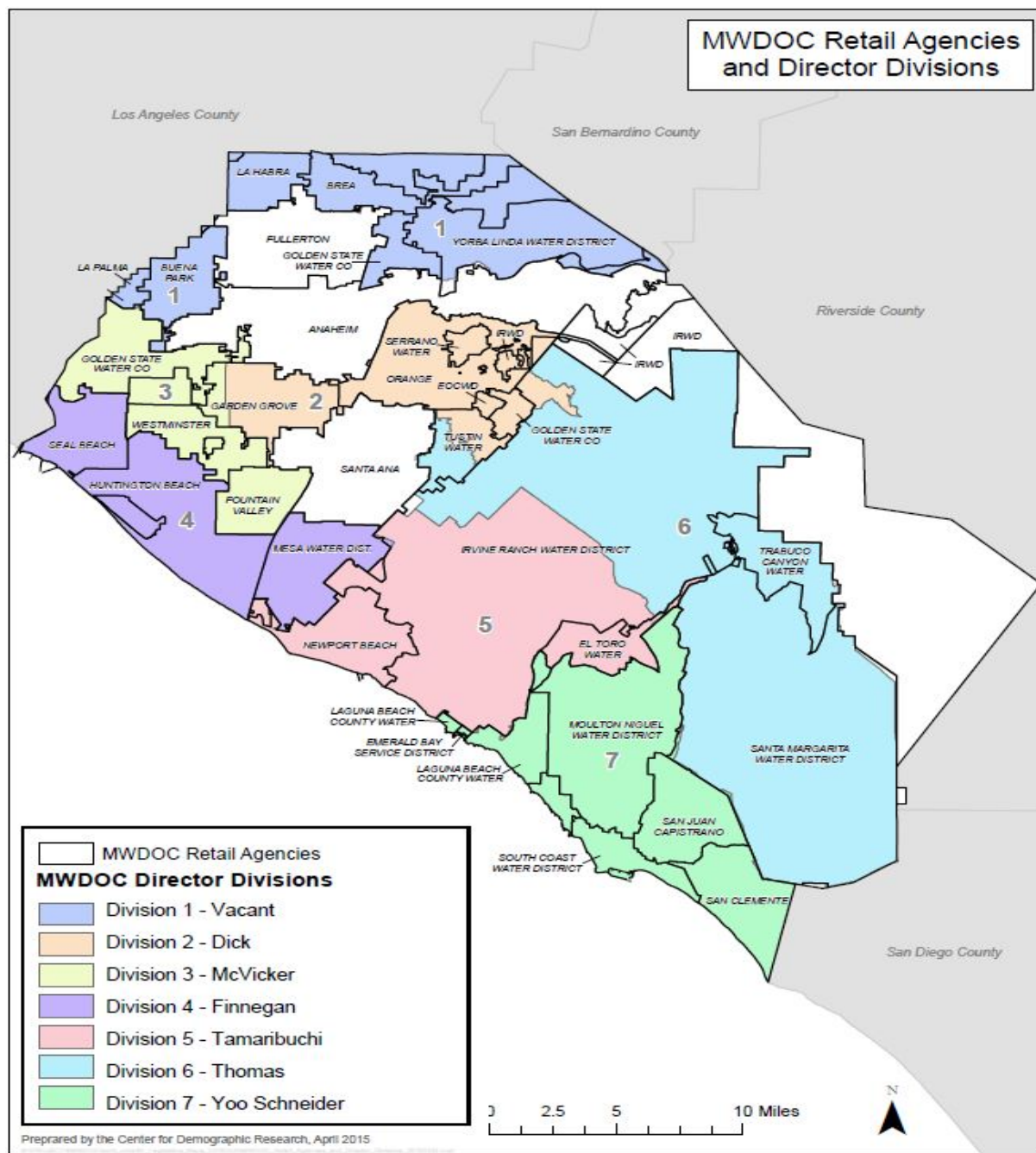
#### **4.6 Accountability for Community Service Needs**

MWDOC is an independent special district established in 1951 under the Municipal Water District Act of 1911. The District's service area is divided into seven divisions and according to the boundaries of MWDOC's member agencies.

The internal operations and board-approved policies are supported and implemented by MWDOC's 36 full time and six part-time employees. The District's accountability to community service needs and its governmental structure and operational efficiencies are reviewed in the following key areas: 1) Accessibility, 2) Accountability and Transparency, and 3) Member Agency and Public Outreach.



**Figure 8: MWDOC Divisional Map**



### *Accessibility*

The District's website ([www.mwdoc.com](http://www.mwdoc.com)) offers a wide range of information, including services provided, map and description of service area, meeting agendas, notices, and minutes, committee and other written reports, and studies. The website also includes a current annual calendar containing the meeting dates and locations for board and committee meetings and workshops, as well as regional meetings and special events, such as the Independent Special Districts of Orange County and Water Advisory Committee of Orange County. The MWDOC Board meets on the first and third Wednesday of each month at the District's headquarters, 18700 Ward Street, Fountain Valley, CA 92708. The meetings begin at 8:30 a.m. and are open and accessible to the public. Committee meetings are also accessible to the public, although meeting dates and times vary.

### *Accountability and Transparency*

#### ***MWDOC Board of Directors***

The MWDOC Board of Directors consists of seven members elected by the voters within their respective division for four-year terms. The District's current board roster and compensation are provided in *Table 7*. During the last election in 2018, there were three Directors (Division One, Two and Five) whose terms were ending. The candidates for Divisions Two and Five each ran unopposed and Division One had multiple candidates. Additionally, in 2019 due to the vacancy by the Director for Division Three prior to the end of the respective term, the MWDOC board appointed a Director to fill the vacated seat. The Directors' term appointments, notices of current vacancies and the election process are published on the District's website. Additionally, the Directors' compliance with mandated ethics training and disclosures of economic interests are also publicly accessible on MWDOC's website.

#### ***Metropolitan Board Members***

The President of the MWDOC Board of Directors, with the consent and approval of the Board, appoints the four representatives to Metropolitan. The President of the Board will receive names and qualifications of proposed candidates submitted by MWDOC Directors for two (2) of the four (4) seats retained by the MWDOC Board. In addition, for the other two (2) seats, the President of the Board shall request the MWDOC member agencies to nominate in writing a candidate or candidates of their choosing. The request for nominations shall alternate between the North and the South County agencies, in the absence of an agreement to some other process. The nomination by the member agencies shall be determined by "one agency, one vote" process. Once filled, the seats will be designated as the "South County Seat" and the "North County Seat" and the

nomination for the designated seat shall be from that region. The appointment process is ordered in the District's Administrative Code.

Table 7: MWDOC Board of Directors			
<b>Date Formed:</b>		January 11, 1951	
<b>Principal Act:</b>		Municipal Water District Act of 1911	
<b>Board Meetings:</b>		1 <sup>st</sup> and 3 <sup>rd</sup> Wednesday, 8:30 a.m.	
Board of Directors	Service Area	Term Expiration	Compensation
Sat Tamaribuchi	President, Division 5	2022	\$311.84 per meeting (up to 10 meetings per calendar month).  Benefits available: District pays 80-100% of medical and dental insurance and 100% of vision insurance; Members are eligible for life insurance and participation in a 401 (a) and 457 plans.
Joan C. Finnegan	Vice President, Division 4	2020	
Vacant	Division 1	2022 <sup>2</sup>	
Larry D. Dick	Division 2	2022	
Robert R. McVicker	Division 3	2020	
Jeffery M. Thomas	Division 6	2020	
Megan Yoo Schneider	Division 7	2020	
Metropolitan Directors <sup>3</sup>			
Linda Ackerman	Director	Representatives appointed by MWDOC and do not serve fixed terms.	\$311.84 per meeting (up to 10 meetings per month).  Benefits available: Eligible for life insurance and participation in a 401 (a) and 457 plans.
Larry D. Dick	Director		
Larry McKenney	Director		
Sat Tamaribuchi	Director		

<sup>2</sup> Election for vacancy will be held during November 3, 2020 election. Candidate elected by Division 1 voters will serve the respective term through 2022.

<sup>3</sup> Metropolitan is governed by a 38-member Board of Directors, representing each of the District's 26 member agencies. Each member agency is represented by one or more directors based on the assessed property valuation of its jurisdiction. The board is responsible for establishing and administering Metropolitan's policies and upholding the articles in the MWD Act.

MWDOC has been acknowledged for its commitment to transparency by the Special District Leadership Foundation (SDLF). SDLF is an independent, non-profit organization formed to promote good governance and best practices among California's special districts. In 2014 and 2015, the District received from the SDLF, the Transparency Certificate of Excellence and District of Distinction. The awards recognize the District for its demonstration of prudent fiscal practices and efforts in transparency to the public through the agency's website. While the SDLF certificates are valid for three years, MWDOC continues to provide publicly accessible information on the District's website to assist its member agencies, the public and other interested parties in understanding the District's resources and how it operates. The following key documents are available on the District's website:

- Organizational chart
- Board and staff compensation
- Adopted and revised annual budgets (FYs 2014-2020)
- Audited Financial Statements (FYs 2013-2019)
- State Controller's Compensation Report
- Resolution Establishing Water Rates (adopted May 20, 2020)
- Policies: Administrative Code, Ethics Policy, Conflict of Interest, Financial and Purchasing

### *Member Agency and Public Outreach*

MWDOC is proactive in keeping the District's service area informed of current agency events and news, conservation efforts, and various policy matters. The District's outreach efforts are carried out through the agency's Public Affairs Department and includes engagement with its member agencies, the public and other stakeholders. MWDOC's key outreach program and efforts include the following:

- **Special Events**

MWDOC hosts and coordinates ongoing water policy symposiums, elected official forums, educational tours, and co-sponsors the annual Orange County Water Summit. These efforts are intended to engage and educate elected officials, community and business leaders, water industry professionals, and the general public on water issues affecting Orange County and the rest of the state.

- **Digital Outreach and Publications**

MWDOC produces public service announcements and educational collateral pieces that include videos, media kits, flyers, news articles, presentations, and briefing papers to ensure that agency stakeholders are adequately equipped with

sharable information and well versed on significant issues facing the water industry.

- **Community Engagement and Social Media**

MWDOC engages the community through participation in community events, conducting speakers' bureaus, and engaging the public through a robust, award-winning social media presence that focuses on social targeting, listening, and advocacy.

- **Regional Communications Collaboration and Support**

MWDOC hosts bi-monthly meetings of the Public Affairs Working Group. The group is comprised of the Public Information Officers (PIOs) of the District's member agencies, as well as other industry PIOs and partners throughout Southern California. The platform was established to facilitate unified regional messaging standards and to provide communications support and training amongst the participants. Central to that effort has been a continued focus on the successful completion of the California Delta Conveyance, previously known as the WaterFix.

- **Consumer Confidence Reports**

For years, MWDOC has provided professional consulting services to the District's 28 member agencies in coordinating and preparing mandated Water Quality, Consumer Confidence Reports (CCR's). This effort saves the agency time and money and provides a consistent regional water quality message throughout Orange County.

## CHAPTER FIVE | SPHERE OF INFLUENCE (SOI) REVIEW AND UPDATE

### 5.0 Agency SOI History

In 1972, the State Legislature directed LAFCOs to adopt spheres of influence (SOIs) relative to their planning responsibility of identifying the probable and physical boundaries and service areas for each local government agency. Government Code Section 56425 requires that in determining the SOI of each local agency, the Commission shall consider and prepare a written statement of its determinations with respect to each of the following:

- (1) The present and planned land uses in the area, including agricultural and open-space lands.
- (2) The present and probable need for public facilities and services in the area.
- (3) The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.
- (4) The existence of any social or economic communities of interest in the area, if the Commission determines that they are relevant to the agency.
- (5) If a city or special district provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, the present and probable need for those facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.

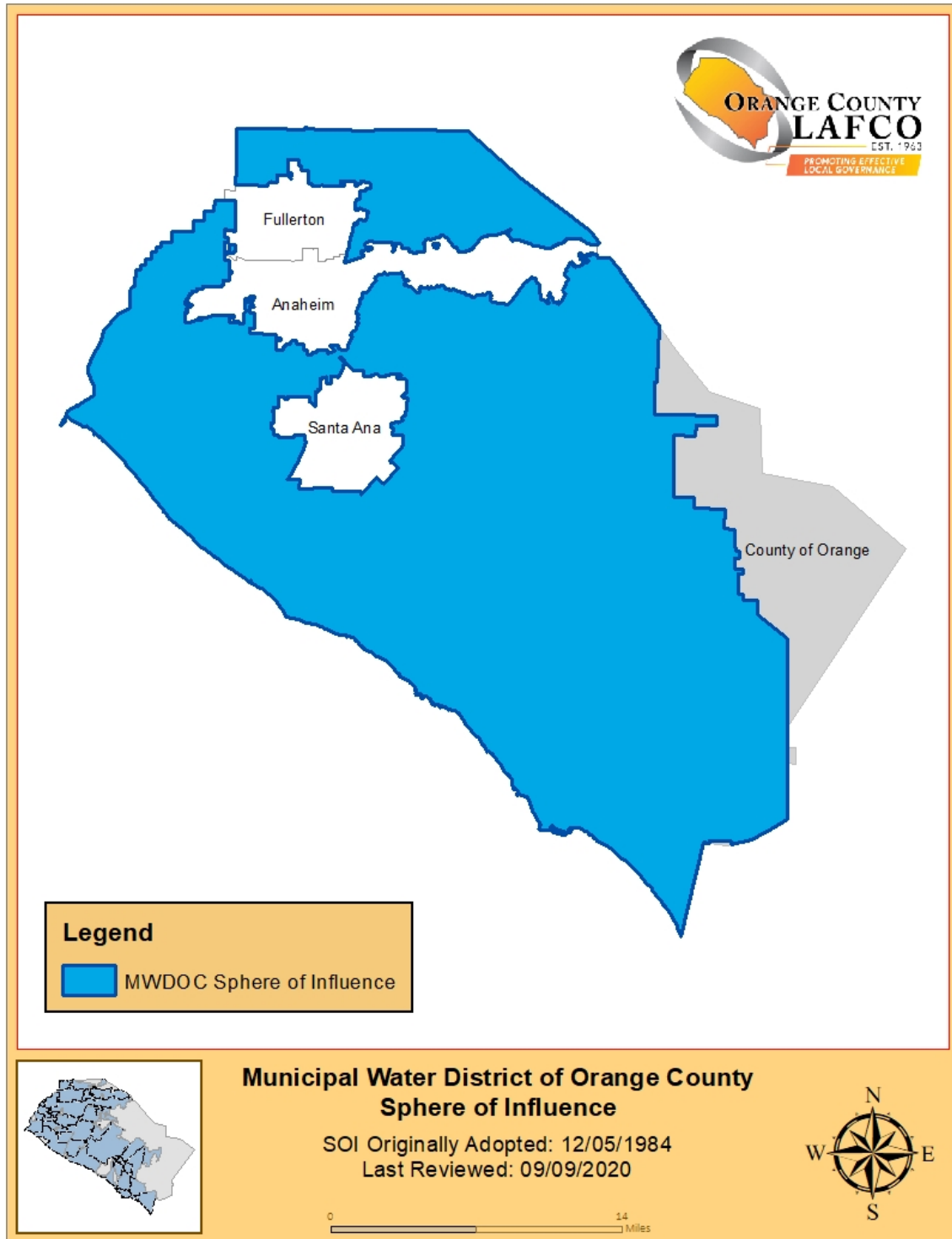
For close to 50 years, Orange County LAFCO has met the requirements of this mandate and adopted local policy and guidelines by establishing and reviewing the spheres of influence (SOI) of the County's cities and special districts every five years and updating SOIs as conditions warrant. In accordance with G.C. Section 56425, the Commission first established the SOI of the Municipal Water District of Orange County in 1984. The most recent comprehensive review of the District's SOI was completed in 2007.

The statement of determinations discussed in this section is based on the review of MWDOC's provision of services preceding this section of the report. Staff recommends that the Commission reaffirm MWDOC's current sphere of influence as shown in *Exhibit 3*.



*Exhibit 3*

**Municipal Water District of Orange County Sphere of Influence Map**





## **5.1 Statement of Determinations**

### **DETERMINATION 1: THE PRESENT AND PLANNED LAND USES IN THE AREA, INCLUDING AGRICULTURAL AND OPEN-SPACE LANDS**

The MWDOC boundary includes the majority of Orange County, except the cities of Anaheim, Fullerton and Santa Ana, and open space areas located in the southeastern areas of the County. Land use throughout the District's sphere of influence and service area is governed by the County and respective cities and varies to include residential (single and multi-family), commercial, industrial, public, park and recreation, and open space. By 2040, the population within the MWDOC service area is expected to increase from approximately 2,409,260 to 2,604,438. MWDOC and the District's 28 members agencies address the present and future needs of the population served through planning documents that include, but are not limited to, general plans, capital improvement programs, urban water management plans, facilities master plans, and water reliability studies.

### **DETERMINATION 2: THE PRESENT AND PROBABLE NEED FOR PUBLIC FACILITIES AND SERVICES IN THE AREA**

As the population within MWDOC's boundary grows modestly to approximately 2.6 million people by 2040, it is anticipated that there will also be only a modest increase in the demand for water services. The present and future water resources, demands, and projects within MWDOC's service area have been considered in the 2015 Urban Water Management Plan and 2018 Orange County Water Reliability Study prepared by MWDOC in collaboration with the retail water agencies. Retail water supply and the maintenance and operations of the infrastructure within MWDOC's boundary are provided by the District's 28 member agencies. These documents assess and identify adequate water supplies within the District's service area to ensure reliable water service delivery and relative cost projections.

### **DETERMINATION 3: THE PRESENT CAPACITY OF PUBLIC FACILITIES AND ADEQUACY OF PUBLIC SERVICES THAT THE AGENCY PROVIDES OR IS AUTHORIZED TO PROVIDE**

MWDOC does not own or operate any water system infrastructures. However, the District does adequately provide services to its member agencies as the wholesale water provider and resource planning agency, as well as provide water use efficiency and outreach programs to the public. The present capacity of public facilities and adequacy of public

services involving retail water resources are appropriately addressed by the 28 retail water providers within the MWDOC service area.

**DETERMINATION 4: THE EXISTENCE OF ANY SOCIAL OR ECONOMIC COMMUNITIES OF INTEREST IN THE AREA, IF THE COMMISSION DETERMINES THAT THEY ARE RELEVANT TO THE AGENCY**

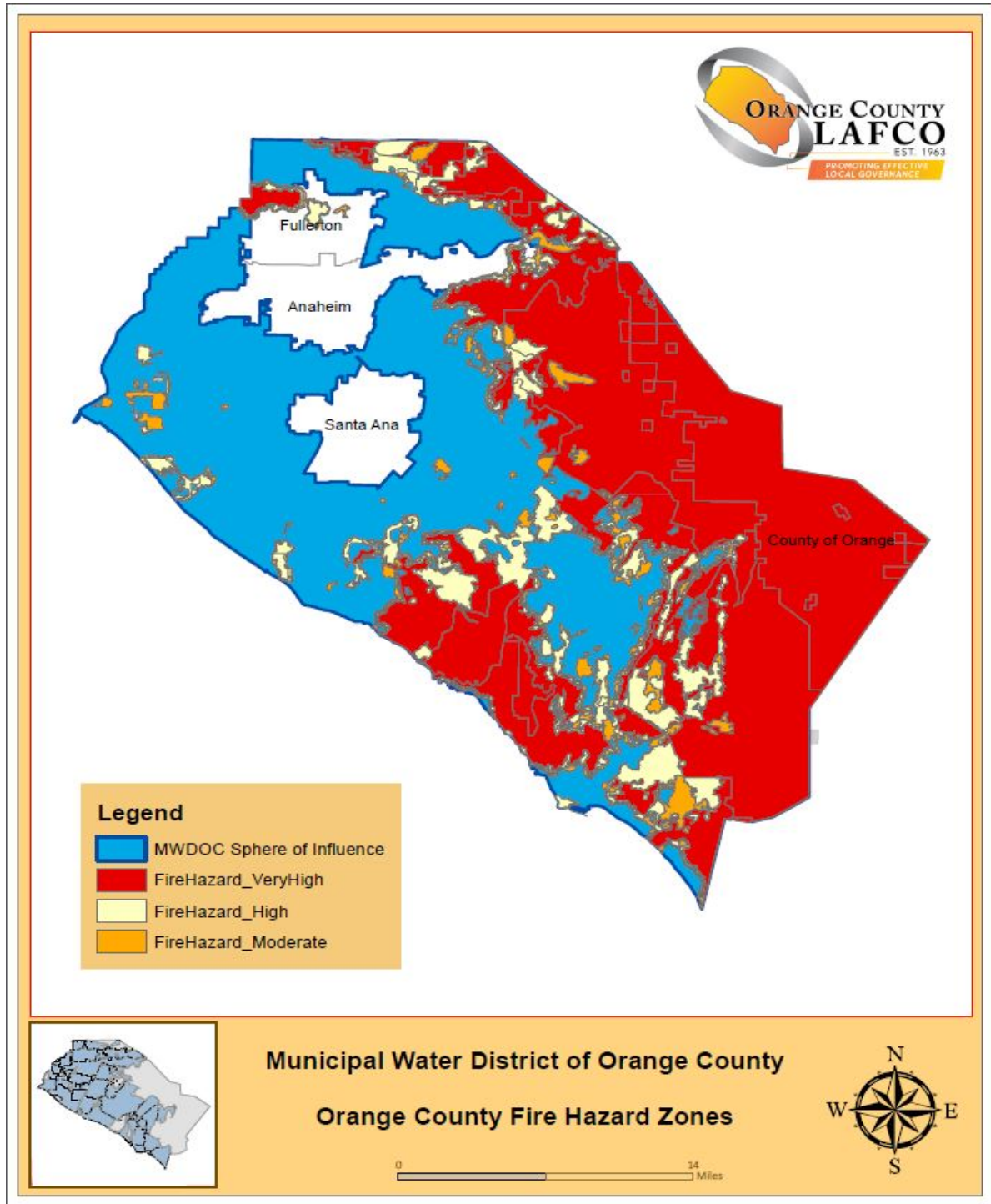
There is a community of interest countywide for ensuring that water resources are reliable and available concurrent with needs.

**DETERMINATION 5: IF A CITY OR SPECIAL DISTRICT PROVIDES PUBLIC FACILITIES OR SERVICES RELATED TO SEWERS, MUNICIPAL AND INDUSTRIAL WATER, OR STRUCTURAL FIRE PROTECTION, THE PRESENT AND PROBABLE NEED FOR THOSE FACILITIES AND SERVICES OF ANY DISADVANTAGED UNINCORPORATED COMMUNITIES WITHIN THE EXISTING SPHERE OF INFLUENCE**

There is a total of three disadvantaged unincorporated communities within the MWDOC service area. Retail water providers to these areas are the City of Westminster and Golden State Water Company. The planning relative to the water resources for DUCs is appropriately addressed in the MWDOC and respective agencies' general plans, capital improvement programs, urban water management plans, facilities master plans, and water reliability studies. Additionally, WEROC, which is administered by MWDOC, work collaboratively with Orange County and wastewater service providers involving emergency preparedness, planning, response, and recovery efforts, including prevention and mitigation within high fire hazard zones.

*Exhibit 4*

**Orange County Fire Hazard Zones Map**



## **Works Referenced**

Center for Demographic Research. 2020 Orange County Progress Report: Municipal Water District of Orange County Service Area Projections.

Orange County Local Agency Formation Commission. (2006). Municipal Water District of Orange County (MSR 06-38).

Orange LAFCO. MSR Survey 2019

Municipal Water District of Orange County. About US. Government Transparency. Administrative Code. Retrieved July 2020 online from <https://www.mwdoc.com/about-us/government-transparency/>

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CDM Smith, Inc. (2019). 2018 Orange County Water Reliability Study.

Arcadis. (2016). 2015 Urban Water Management Plan.

Municipal Water District of Orange County. (2018). Water Loss Control Shared Services Business Plan.

The Metropolitan Water District of Southern California. Retrieved July 2020 online from <http://www.mwdh2o.com/>.

Special District Leadership Foundation. Retrieved July 2020 online from <https://www.sdlf.org/about/about-sdlf>.

**MSR 20-09**

**RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION  
OF ORANGE COUNTY, CALIFORNIA  
MAKING DETERMINATIONS AND APPROVING THE  
MUNICIPAL SERVICE REVIEW FOR THE  
MUNICIPAL WATER DISTRICT OF ORANGE COUNTY**

**September 9, 2020**

On motion of Commissioner \_\_\_\_\_, duly seconded and carried, the following resolution was adopted:

WHEREAS, California Government Code Section 56430 requires that in order to prepare and to update Spheres of Influence, the Commission shall conduct Municipal Service Reviews (MSRs) prior to or in conjunction with action to update or adopt a sphere of influence; and

WHEREAS, the Orange County Local Agency Formation Commission (Orange LAFCO) has completed three previous cycles of MSRs, and has prepared a Municipal Service Review for the Municipal Water District of Orange County to address the seven MSR determinations; and

WHEREAS, the report for the MSR identified in this Resolution (MSR 20-09) contains a statement of determinations as required by California Government Code Section 56430 for the municipal services provided by Municipal Water District of Orange County; and

WHEREAS, copies of the MSR report and Statement of Determinations in this resolution are available for public review in the Orange LAFCO offices and on the Orange LAFCO website; and

WHEREAS, the Executive Officer, pursuant to Government Code Section 56427, set September 9, 2020 as the hearing date on this MSR report and Statement of Determinations and gave the required notice of public hearing; and

WHEREAS, the Executive Officer, pursuant to Government Code Section 56430, has prepared a report, including her recommendations thereon, and has provided a copy of this report to each affected agency entitled to a copy; and

WHEREAS, the report consists of the adoption of the MSR Statement of Determinations for the Municipal Water District of Orange County; and

## ATTACHMENT B

WHEREAS, this Commission called for and held a public hearing on the MSR on September 9, 2020, and at the hearing this Commission received all written comments submitted with respect to this MSR and the report of the Executive Officer; and

WHEREAS, pursuant to the California Environmental Quality Act, the municipal service review for the Municipal Water District of Orange County was determined to be exempt from CEQA under State CEQA Guidelines §15262, Feasibility and Planning Studies.

NOW, THEREFORE, the Local Agency Formation Commission of the County of Orange DOES HEREBY RESOLVE, DETERMINE AND ORDER as follows:

Section 1. Environmental Actions:

- a) The “Municipal Service Review for the Municipal Water District of Orange County (MSR 20-09)” together with the written Statement of Determinations are determined to be exempt from the California Environmental Quality Act (CEQA) under State CEQA Guidelines §15262, Feasibility and Planning Studies.
- b) The Commission directs the Executive Officer to file a Notice of Exemption as the lead agency under Section 15062, shown as “Exhibit 1.”

Section 2. Determinations

- a) The Executive Officer’s staff report and recommendation for the approval of the MSR for the Municipal Water District of Orange County, dated September 9, 2020, are hereby approved.
- b) The Commission has adopted the accompanying Statement of Determinations for the Municipal Water District of Orange County, shown as “Exhibit 2.”

Section 3. This review is assigned the following distinctive short-form designation: “Municipal Service Review for the Municipal Water District of Orange County (MSR 20-09).”

Section 4. The Executive Officer is hereby authorized and directed to mail copies of this resolution as provided in Section 56882 of the Government Code.



## ATTACHMENT B

AYES:

NOES:

[illegible]

I, CHERYL BROTHERS, Chair of the Local Agency Formation Commission of Orange County, California, hereby certify that the above and foregoing resolution was duly and regularly adopted by said Commission at a regular meeting thereof, held on the 9<sup>th</sup> day of September 2020.

IN WITNESS WHEREOF, I have hereunto set my hand this 9<sup>th</sup> day of September 2020.

CHERYL BROTHERS  
Chair of the Orange County  
Local Agency Formation Commission

By: \_\_\_\_\_  
Cheryl Brothers

**NOTICE OF EXEMPTION**

TO: <input type="checkbox"/> Office of Planning and Research P. O. Box 3044, Room 113 Sacramento, CA 95812-3044	FROM: Orange County Local Agency Formation (Public Commission ( <b>Lead Agency</b> ) Agency)
<input checked="" type="checkbox"/> Clerk of the Board of Supervisors or County Clerk County of:	Address 2677 North Main Street Suite 1050 Santa Ana, CA 92705

Project Title:	Municipal Service Review for the Municipal Water District of Orange County (MSR 20-09)
Project Applicant:	Orange County Local Agency Formation Commission
Project Location – Identify street address and cross streets or attach a map showing project site (preferably a USGS 15' or 7 1/2' topographical map identified by quadrangle name):	The Municipal Service Review includes the boundaries of the Municipal Water District of Orange County. The District's headquarters is located in Fountain Valley and its service boundary includes <b>14</b> cities (Brea, Buena Park, Fountain Valley, Garden Grove, Huntington Beach, La Habra, La Palma, Newport Beach, Orange, San Clemente, San Juan Capistrano, Seal Beach, Tustin, and Westminster), <b>13</b> special districts ( East Orange County Water District, El Toro Water District, Emerald Bay Service District, Irvine Ranch Water District, Laguna Beach County Water District, Mesa Water District, Moulton Niguel Water District, Orange County Water District, Santa Margarita Water District, Serrano Water District, South Coast Water District, Trabuco Canyon Water District, and Yorba Linda Water District) and Golden State Water Company.
a. Project Location – District	Municipal Water District of Orange County
(b) Project Location – County	Orange
Description of nature, purpose, and beneficiaries of Project:	Conduct a review of municipal services provided by the Municipal Water District of Orange County and adopt the MSR Statement of Determinations for the Municipal Water District of Orange County.
Name of Public Agency approving project:	Orange County Local Agency Formation Commission
Name of Person or Agency undertaking the project, including any person undertaking an activity that receives financial assistance from the Public Agency as part of the activity or the person receiving a lease, permit, license,	Orange County Local Agency Formation Commission

**EXHIBIT 1**

certificate, or other entitlement of use from the Public Agency as part of the activity:	
Exempt status: (check one)	
<input type="checkbox"/> Ministerial project.	(Pub. Res. Code § 21080(b)(1); State CEQA Guidelines § 15268)
<input type="checkbox"/> Not a project.	
<input type="checkbox"/> Emergency Project.	(Pub. Res. Code § 21080(b)(4); State CEQA Guidelines § 15269(b),(c))
<input type="checkbox"/> Categorical Exemption. State type and section number:	Changes in Organization of Local Agencies Class 20 § 15320
<input type="checkbox"/> Declared Emergency.	(Pub. Res. Code § 21080(b)(3); State CEQA Guidelines § 15269(a))
<input checked="" type="checkbox"/> Statutory Exemption. State Code section number:	CEQA Guidelines §15262 (Feasibility and Planning Studies)
<input type="checkbox"/> Other. Explanation:	
Reason why project was exempt:	The Municipal Service Review and Statement of Determinations are exempt from CEQA under CEQA Guidelines Section 15626: Feasibility and Planning Studies. A project involving only feasibility or planning studies for possible future actions which the agency, board or commission has not approved, adopted or funded does not require the preparation of an EIR or Negative Declaration.
Lead Agency Contact Person:	Gavin Centeno, Policy Analyst
Telephone:	(714) 640-5100
If filed by applicant: Attach Preliminary Exemption Assessment (Form "A") before filing.	
Has a Notice of Exemption been filed by the public agency approving the project? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	
Was a public hearing held by the Lead Agency to consider the exemption? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	
If yes, the date of the public hearing was: September 9, 2020	

Signature: \_\_\_\_\_ Date: \_\_\_\_\_ Title: Executive Officer

Name:

☒ Signed by Lead Agency      ☐ Signed by Applicant

Date Received for Filing: \_\_\_\_\_

(Clerk Stamp Here)

Authority cited: Sections 21083 and 21110, Public Resources Code.  
Reference: Sections 21108, 21152, and 21152.1, Public Resources Code.

**STATEMENT OF DETERMINATIONS  
MUNICIPAL SERVICE REVIEW (MSR 20-09)  
MUNICIPAL WATER DISTRICT OF ORANGE COUNTY**

**Government Code Section 56430**

**1. Growth and population projections for the affected area.**

MWDOC currently delivers imported water to more than 2.3 million Orange County residents through its 28 retail member agencies. Over the next 10 years, the population within the District's service area is expected to experience a modest increase of approximately five percent, and by 2040, MWDOC's service boundary is projected to include 2.6 million Orange County residents and 933,506 housing units. Most of the population growth within the District's service area will occur within the cities of Brea, Cypress, and Irvine. The population projections for this study are based on data provided by the Center for Demographic Research (CDR) at California State University Fullerton (CSUF).

The projected growth within MWDOC's boundary has been considered in the 2015 Urban Water Management Plan and 2018 Orange County Water Reliability Study prepared by MWDOC in collaboration with the retail water agencies. The anticipated growth is used as a basis to determine if the water supply is adequate, reliable and affordable. It is expected that the water supply needs of MWDOC's member agencies and customers will be met over the next 20 years.

**2. The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the affected sphere of influence.**

The MWDOC sphere of influence includes a total of three disadvantaged unincorporated communities (DUCs) adjacent to and within the spheres of influence of the cities of Westminster and Stanton. The DUCs are part of larger unincorporated communities and are substantially or completely surrounded by the adjacent city. The land use within the DUCs include residential and commercial.

- 3. Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies including needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged, unincorporated communities within or contiguous to the affected sphere of influence.**

Currently, north Orange County retail water agencies meet their water supply needs mainly from the Orange County Groundwater Basin, while southern retail providers depend more heavily on imported water. As the population within MWDOC and its member agencies' service boundaries grow modestly over the next 20 years, the District will continue to address any correlating increases in the demand for services through the 2018 Urban Water Management Plan and water reliability studies coordinated with the member agencies. This planning by the District and member agencies includes addressing public services and infrastructure involving water supply needs of the three disadvantaged unincorporated communities located within the District's jurisdictional boundary.

Additionally, MWDOC administers the Water Emergency Response of Orange County (WEROC). WEROC was established to support and manage the emergency preparedness, planning, response, and recovery efforts among Orange County water and wastewater service providers. A critical part of WEROC's planning efforts includes the close coordination with the Orange County Fire Authority (OCFA) involving areas identified as "High Fire Zones" within Orange County. The planning involves the development and preparation of a Hazard Mitigation Plan through a collaborative effort of WEROC member agencies and the Metropolitan Water District to identify critical water facilities and infrastructure needed to prevent and mitigate within these high fire zone areas. WEROC works with responding fire authorities on the sharing of data resources to mitigate the loss of essential facilities and to secure the delivery of water supplies within these zones.

- 4. Financial ability of agencies to provide services.**

In 2020, MWDOC adopted the fiscal year 2020-2021 budget of \$236,585,012. The District's budget reflects the required resources to provide adequate, reliable, and affordable water supply needs to its member agencies. Approximately 95% (\$224,197,893) of MWDOC's expenditures are attributed to the water purchases from Metropolitan. The District purchases water from Metropolitan based on the water supply needs within Orange County and then recovers the cost of these purchases from its member agencies. Water purchases by MWDOC are based on the availability

of local supplies and total demands. Since 2016, imported water rates have increased by approximately three percent each year.

The remaining five percent (\$12,387,119) of the District's budget is allocated for the agency's operations, staffing and programs that support other key efforts that include emergency preparedness, water efficiency, and legislative advocacy. Each of these represent benefits provided to the District's member agencies.

MWDOC's current reserves and fund balances total \$12,285,432. The District has indicated that these balances achieve the target levels established by MWDOC's Board of Directors to meet the agency's priorities and projects. These areas include construction and improvements to the agency's headquarters, capital fund balance for emergency preparedness, and multi-year projects, such as the conducting of reliability studies. Upon the completion of one-time projects, such as construction and improvements, it is expected that the District's reserve levels will decline.

**5. Status of, and opportunities for, shared facilities.**

MWDOC currently engages in many resource sharing opportunities that support cost-effective and efficient level of services to its member agencies. These efforts include the administering of the Water Emergency Response Organization of Orange County (WEROC) and multiple programs that support the sharing, establishing and coordination of resources among the District's member agencies. Additionally, MWDOC and OCWD have a shared facilities agreement to create efficiency in cost savings involving the maintenance and overhead costs of office facilities and property. The District is also exploring the expansion of the agency's water loss program to offer additional shared services to its member agencies.

**6. Accountability for community service needs, including governmental structure and operational efficiencies.**

MWDOC is an independent special district that serves 28 retail member agencies. The District's service area is geographically divided into seven divisions and the seven-member Board of Directors are elected by the voters within the division they represent. The District is accountable to the service needs of its community through board approved policies that support the efficient and transparent operations of the agency. The MWDOC Board of Directors conducts meetings twice a month and maintains a robust website that contains a wide range of information on the District's



## EXHIBIT 2

programs and services. The Board meetings are open to the public and are conducted in accordance with the provisions of the Ralph M. Brown Act.

Board of Directors are paid \$311.84 per meeting attended, up to 10 meetings per calendar month. The District provides the following benefits to its Directors: medical, dental and vision insurance; Directors are eligible for life insurance.

The District has received awards and been acknowledged for its efforts in promoting transparency and prudent fiscal practices. Additionally, the District is proactive in keeping member agencies and customers informed of the agency's operations and programs through the hosting of special events and proactive outreach that includes social media, digital publications and consumer reports.

7. **Any other matter related to effective or efficient service delivery, as required by commission policy.**

No other matters were identified during the conducting of the MSR.

**SOI 20-10**

**RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION  
OF ORANGE COUNTY, CALIFORNIA  
MAKING DETERMINATIONS AND REAFFIRMING THE  
SPHERE OF INFLUENCE FOR THE  
MUNICIPAL WATER DISTRICT OF ORANGE COUNTY**

**September 9, 2020**

On motion of Commissioner \_\_\_\_\_, duly seconded and carried, the following resolution was adopted:

WHEREAS, California Government Code Section 56425 requires that a Local Agency Formation Commission (LAFCO) adopt Spheres of Influence (SOI) for all agencies in its jurisdiction and to review, and update as necessary, those spheres every five years; and

WHEREAS, the SOI is the primary planning tool for LAFCO and defines the probable physical boundaries and service area of a local agency as determined by LAFCO; and

WHEREAS, proceedings for adoption, update and amendment of an SOI are governed by the Cortese-Knox Hertzberg Local Government Reorganization Act of 2000, Section 56000 et seq. of the Government Code; and

WHEREAS, the California Government Code Section 56430 requires that in order to prepare and to update an SOI, the Commission shall conduct Municipal Service Reviews (MSRs) prior to or in conjunction with action to update or adopt an SOI; and

WHEREAS, Orange County Local Agency Formation Commission (Orange LAFCO) has previously reviewed and adopted SOI updates for the Municipal Water District of Orange County as required by Government Code Section 56425 during the initial MSR/SOI review cycle in 2007, the second MSR/SOI review cycle (2008-2012), and during the third MSR/SOI review cycle (2013-2017); and

WHEREAS, on September 9, 2020, Orange LAFCO adopted a new Statement of Determinations for the SOI review for the Municipal Water District of Orange County as part of the fourth MSR/SOI review cycle (2018-2022); and

## ATTACHMENT C

WHEREAS, the information and findings contained in the SOI review for the Municipal Water District of Orange County identified in this Resolution are current and do not raise any significant boundary or service-related issues; and

WHEREAS, copies of the MSR and SOI reports, SOI map, and Statement of Determinations for Municipal Water District of Orange County identified in this Resolution have been reviewed by the Commission and are available for public review in the LAFCO offices and on the LAFCO website; and

WHEREAS, the Executive Officer, pursuant to Government Code Section 56427, set September 9, 2020 as the hearing date on the SOI review and gave the required notice of public hearing; and

WHEREAS, the Executive Officer, pursuant to Government Code Section 56425, has prepared a report, including her recommendations thereon, and has provided this report to each affected agency entitled to a copy; and

WHEREAS, the review consists of the reaffirming of the SOI for the Municipal Water District of Orange County; and

WHEREAS, this Commission called for and held a public hearing on the SOI review on September 9, 2020, and at the hearing this Commission received all written comments submitted with respect to this SOI review and the report of the Executive Officer; and

WHEREAS, this Commission considered the factors determined by the Commission to be relevant to this review, including factors specified in Government Code Sections 56425 and 56430; and

WHEREAS, pursuant to the California Environmental Quality Act, the SOI review and reaffirming of the SOI for the Municipal Water District of Orange County were determined to be exempt from CEQA under State CEQA Guidelines §15262, Feasibility and Planning Studies.

NOW, THEREFORE, the Local Agency Formation Commission of the County of Orange DOES HEREBY RESOLVE, DETERMINE AND ORDER as follows:

Section 1. Environmental Actions:

- a) The “Sphere of Influence Review for Municipal Water District of Orange County(SOI 20-10)” together with the written Statement of Determinations, are determined to be exempt from the California Environmental Quality Act (CEQA) under State CEQA Guidelines §15262, Feasibility and Planning Studies.
- b) The Commission directs the Executive Officer to file a Notice of Exemption as the lead agency under Section 15062, shown as Exhibit 1.

Section 2. Determinations

- a) The Executive Officer’s staff report and recommendation to reaffirm the SOI, including the SOI map attached hereto, for the Municipal Water District of Orange County, dated September 9, 2020, are hereby approved.
- b) The Commission has adopted the accompanying Statement of Determinations for the Municipal Water District of Orange County, shown as Exhibit 2.

Section 3. This review is assigned the following distinctive short-form designation: “Sphere of Influence Review for the Municipal Water District of Orange County (SOI 20-10).”

Section 4. The Executive Officer is hereby authorized and directed to provide copies of this resolution as provided in Government Code Section 56882.

AYES:

NOES:

STATE OF CALIFORNIA    )  
  ) SS.

COUNTY OF ORANGE     )

**ATTACHMENT C**

I, CHERYL BROTHERS, Chair of the Local Agency Formation Commission of Orange County, California, hereby certify that the above and foregoing resolution was duly and regularly adopted by said Commission at a regular meeting thereof, held on the 9<sup>th</sup> day of September, 2020.

IN WITNESS WHEREOF, I have hereunto set my hand this 9<sup>th</sup> day of September, 2020.

CHERYL BROTHERS  
Chair of the Orange County  
Local Agency Formation Commission

By: \_\_\_\_\_  
Cheryl Brothers

**NOTICE OF EXEMPTION**

TO:	FROM:
<input type="checkbox"/> Office of Planning and Research P. O. Box 3044, Room 113 Sacramento, CA 95812-3044	Orange County Local Agency Formation Commission ( <b>Lead Agency</b> )
<input checked="" type="checkbox"/> Clerk of the Board of Supervisors or County Clerk County of:	Address 2677 North Main Street Suite 1050 Santa Ana, CA 92705

1.	Project Title:	Sphere of Influence Review for the Municipal Water District of Orange County (SOI 20-10)
2.	Project Applicant:	Orange County Local Agency Formation Commission
3.	Project Location – Identify street address and cross streets or attach a map showing project site (preferably a USGS 15' or 7 1/2' topographical map identified by quadrangle name):	The Municipal Service Review includes the boundaries of the Municipal Water District of Orange County. The District's headquarters is located in Fountain Valley and its service boundary includes <b>14</b> cities (Brea, Buena Park, Fountain Valley, Garden Grove, Huntington Beach, La Habra, La Palma, Newport Beach, Orange, San Clemente, San Juan Capistrano, Seal Beach, Tustin, and Westminster), <b>13</b> special districts ( East Orange County Water District, El Toro Water District, Emerald Bay Service District, Irvine Ranch Water District, Laguna Beach County Water District, Mesa Water District, Moulton Niguel Water District, Orange County Water District, Santa Margarita Water District, Serrano Water District, South Coast Water District, Trabuco Canyon Water District, and Yorba Linda Water District) and Golden State Water Company.
4.	(a)Project Location – District	Municipal Water District of Orange County
	(b) Project Location – County	Orange
5.	Description of nature, purpose, and beneficiaries of Project:	Conduct a review of the sphere of influence and adopt the SOI Statement of Determinations for the Municipal Water District of Orange County.
6.	Name of Public Agency approving project:	Orange County Local Agency Formation Commission
7.	Name of Person or Agency undertaking the project, including any person undertaking an activity that receives financial assistance from the Public Agency as part of the activity or the person receiving a lease, permit, license, certificate, or other entitlement of use from the Public Agency as part of the activity:	Orange County Local Agency Formation Commission
8.	Exempt status: (check one)	
	(a) <input type="checkbox"/> Ministerial project.	(Pub. Res. Code § 21080(b)(1); State CEQA Guidelines § 15268)
	(b) <input type="checkbox"/> Not a project.	



**EXHIBIT 1**

(c)	<input type="checkbox"/>	Emergency Project.	(Pub. Res. Code § 21080(b)(4); State CEQA Guidelines § 15269(b),(c))
(d)	<input type="checkbox"/>	Categorical Exemption. State type and section number:	Changes in Organization of Local Agencies Class 20 § 15320
(e)	<input type="checkbox"/>	Declared Emergency.	(Pub. Res. Code § 21080(b)(3); State CEQA Guidelines § 15269(a))
(f)	<input checked="" type="checkbox"/>	Statutory Exemption. State Code section number:	CEQA Guidelines §15262 (Feasibility and Planning Studies)
(g)	<input type="checkbox"/>	Other. Explanation:	
9.	Reason why project was exempt:		The Sphere of Influence Review and Statement of Determinations are exempt from CEQA under CEQA Guidelines Section 15626: Feasibility and Planning Studies. A project involving only feasibility or planning studies for possible future actions which the agency, board or commission has not approved, adopted or funded does not require the preparation of an EIR or Negative Declaration.
10.	Lead Agency Contact Person:		Gavin Centeno, Policy Analyst
	Telephone:		(714) 640-5100
11.	If filed by applicant: Attach Preliminary Exemption Assessment (Form "A") before filing.		
12.	Has a Notice of Exemption been filed by the public agency approving the project? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>		
13.	Was a public hearing held by the Lead Agency to consider the exemption? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> If yes, the date of the public hearing was: September 9, 2020		

Signature: \_\_\_\_\_ Date: \_\_\_\_\_ Title: Executive Officer

Name:

☒ Signed by Lead Agency      ☐ Signed by Applicant

Date Received for Filing: \_\_\_\_\_

(Clerk Stamp Here)

Authority cited: Sections 21083 and 21110, Public Resources Code.

Reference: Sections 21108, 21152, and 21152.1, Public Resources Code.

**STATEMENT OF DETERMINATIONS  
SPHERE OF INFLUENCE REVIEW (SOI 20-10)  
MUNICIPAL WATER DISTRICT OF ORANGE COUNTY**

**Government Code Section 56425**

**1. The present and planned land uses in the area, including agricultural and open-space lands.**

The MWDOC boundary includes the majority of Orange County, except the cities of Anaheim, Fullerton and Santa Ana, and open space areas located in the southeastern areas of the County. Land use throughout the District's sphere of influence and service area is governed by the County and respective cities and varies to include residential (single and multi-family), commercial, industrial, public, park and recreation, and open space. By 2040, the population within the MWDOC service area is expected to increase from approximately 2,409,260 to 2,604,438. MWDOC and the District's 28 members agencies address the present and future needs of the population served through planning documents that include, but are not limited to, general plans, capital improvement programs, urban water management plans, facilities master plans, and water reliability studies.

**2. The present and probable need for public facilities and service in the area.**

As the population within MWDOC's boundary grows modestly to approximately 2.6 million people by 2040, it is anticipated that there will also be only a modest increase in the demand for water services. The present and future water resources, demands, and projects within MWDOC's service area have been considered in the 2015 Urban Water Management Plan and 2018 Orange County Water Reliability Study prepared by MWDOC in collaboration with the retail water agencies. Retail water supply and the maintenance and operations of the infrastructure within MWDOC's boundary are provided by the District's 28 member agencies. These documents assess and identify adequate water supplies within the District's service area to ensure reliable water service delivery and relative cost projections.

3. **The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.**

MWDOC does not own or operate any water system infrastructures. However, the District does adequately provide services to its member agencies as the wholesale water provider and resource planning agency, as well as provide water use efficiency and outreach programs to the public. The present capacity of public facilities and adequacy of public services involving retail water resources are appropriately addressed by the 28 retail water providers within the MWDOC service area.

4. **The existence of any social or economic communities of interest in the area if the Commission determines that they are relevant to the agency.**

There is a community of interest countywide for ensuring that water resources are reliable and available concurrent with needs.

5. **If a city or special district provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, the present and probable need for those facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.**

There is a total of three disadvantaged unincorporated communities within the MWDOC service area. Retail water providers to these areas are the City of Westminster and Golden State Water Company. The planning relative to the water resources for DUCs is appropriately addressed in the MWDOC and respective agencies' general plans, capital improvement programs, urban water management plans, facilities master plans, and water reliability studies. Additionally, WEROC, which is administered by MWDOC, work collaboratively with Orange County and wastewater service providers involving emergency preparedness, planning, response, and recovery efforts, including prevention and mitigation within high fire hazard zones.

