



September 9, 2009

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The Honorable Kim Dunning, Presiding Judge
Superior Court
700 Civic Center Drive West
Santa Ana, CA 92701

Dear Judge Dunning:

Thank you for the opportunity to review and comment on the "Paper Water – Does Orange County Have a Reliable Future?" report. The comments provided address the findings and recommendations illustrated in the report and include the Orange County LAFCO's involvement.

F.3: LAFCo is the agency charged with facilitating constructive changes in governmental structure to promote efficient delivery of services. To this end, LAFCo is conducting a governance study of MWDOC which is the designated representative for nearly all the Orange County retail water agencies, acting on their behalf with their surface water supplier Metropolitan.

F.3(a) There are a number of points of governance disagreement between MWDOC and several of its member agencies. This is creating an impediment to the on-going effectiveness of these agencies in critical areas of Orange County's water supply management.

Response: As a result of the Municipal Services Review (MSR 06-38) conducted by LAFCO on MWDOC and considered by the LAFCO Commission on November 14, 2007, several key areas of disagreement among member agencies were identified. These discrepancies included, but were not limited, to:

- (1) The size of and growth in MWDOC's budget since the consolidation of MWDOC and the Coastal Municipal Water District in 2001;
- (2) The amount of MWDOC's reserves; and
- (3) MWDOC's budget process.

Several agencies requested that LAFCO conduct a study that would examine the full range of government structure options for MWDOC which could address these issues. The Commission concurred with the request and directed its staff, together with a team of consultants, to complete the study. The MWDOC Governance Alternatives Study was a "receive and file" item at the Commission's September 9, 2009 meeting.

F.3(b) The current disagreement is a distraction from the greater good of the agencies working toward Orange County's water future.

Response: We concur. The process for completing the MSR and subsequently the governance study has been challenging at best. In addition, the process has not found any common ground among the agencies and, in fact, positions seem to have hardened. The resolution of the problems identified in the MWDOC MSR and in the governance study is beyond the ability of LAFCO to solve at this point. However the governance study has achieved its goal – to answer the three questions of: (1) what governance options exist, (2) what fiscal impacts exist, and (3) what legal/political barriers exist. It is time for the agencies involved to use the information produced by the governance study and to work among themselves to find a sustainable solution.

F.3(c) The stakeholders in LAFCo's study failed to meet their March 11, 2009 deadline for LAFCo's public hearing on this matter. Continued delays are unacceptable.

Response: The study was delayed initially because MWDOC objected to the original team of consultants and a revised team had to be assembled. In addition, LAFCO chose to conduct the study as a "stakeholder driven" study to ensure that all affected agencies had a voice throughout the development of the study's approach, assumptions and content of the report. Five stakeholder meetings were conducted during the course of the study. Due to the complexity of the report and in order to fully incorporate stakeholder input and comment within the study, LAFCO extended the study's timeline at the request of the stakeholders. The final study was reviewed by the Commission on September 9, 2009.

R.3: Each MWDOC member agency should reaffirm to LAFCo that it will assign the resources necessary to expediently resolve regional governance issues. While the subject study is being facilitated by LAFCo, the options are with the agencies to decide what is best for all. Once conclusions are reached, the parties need to agree quickly and, hopefully, unanimously to adopt a course of action. (Finding F.3, F.3(a), F.3(b) and F.3(c))

Response: LAFCO concurs. Ultimately, the south county agencies should decide among themselves whether or not forming a new south Orange County Water Authority (CWA) is in the best interest of their customers.

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RE: MWDOC Governance Study
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In conclusion, LAFCO hopes that these comments allow for a better understanding of the study's purpose and our role in preparing the governance study. We appreciate the opportunity to submit these comments.

Sincerely,

A handwritten signature in cursive script that reads "Susan Wilson". The signature is written in black ink and is positioned above the typed name.

Susan Wilson, Chair
Orange County LAFCO