

May 14, 2026

San Diego Local Agency Formation Commission
Attn: Chair Kristi Becker and Members of the Commission
2550 Fifth Avenue, Suite 725
San Diego, CA 92103

Subject: Request to Rescind May 4, 2026 decision to stop work on the Municipal Service Review on Wholesale Water Service Providers

Dear Chair Becker and Members of the Commission,

The undersigned environmental non-governmental organizations (Cosigners) represent a broad coalition of water ratepayers throughout San Diego County. We write to respectfully request the Commission rescind its May 4, 2026 decision to suspend work on the Municipal Service Review (MSR) on wholesale water service providers San Diego County Water Authority (SDCWA) and Metropolitan Water District (MWD) for a duration of four years. Cosigners further request the Commission direct its staff to update the SDCWA MSR to reflect recent changed circumstances at SDCWA, as discussed during the May 4 Commission meeting, and to present updated findings during the August 3, 2026 Commission meeting, along with Part II of the MSR regarding MWD.

Like the Commission, Cosigners are encouraged by SDCWA's recent actions to (a) settle its decades-long litigation with MWD, (b) actively pursue water exchange agreements with third parties (c) initiate a business model review, and (d) publicly acknowledge that its take-or-pay contractual obligations, particularly for desalinated water, present problematic debt burdens for SDCWA and its ratepayers. However, none of these actions have definitively solved SDCWA's serious structural and financial strains, nor its internal governance issues, which are described in detail in Part I of the Draft MSR. These actions have merely begun to steer SDCWA's billion dollar vessel away from the iceberg.

Unfortunately, significant problems remain. While the recently-inked third party water exchange agreements will offset 20,000 acre-feet (AF) of annual demand, potable reuse projects will reduce SDCWA's annual water sales by 46,000 AF *next year*, and 111,000 AF annually by 2035. Future water exchange agreements remain speculative in the face of ongoing Colorado River negotiations, as well as the looming threat of complex, multiparty litigation should the negotiating parties fail to reach a consensus. Meanwhile, SDCWA remains severely overleveraged with billions in debt, a fixed-cost ratio of over 80%, and a business model heavily reliant on water sales. Compounding these difficulties, SDCWA also faces continuously dropping demand, significant climate change uncertainty, a dramatically overallocated Colorado River, and rapidly developing member agency supply projects.

The Draft MSR also details the increasing strains on SDCWA's weighted voting structure, which only functions well when all member agencies are equally invested in the agency's trajectory. That facade has already crumbled, and further conflicts of interest within SDCWA's Board will arise as individual member agencies pursue their own supply projects. Third party water sales cannot fix this structural governance deficiency.

Finally, while the Commissioners praised SDCWA's current leadership for its recent improvements, SDCWA's leadership changes *every two years*, with the next Board Chair to be selected in October 2026. As such, now is the time for LAFCO to maintain close oversight to keep SDCWA accountable through any leadership changes. This issue is too important – San Diego County has some of the highest water rates in the country, and SDCWA's rates are set to increase by another 133% by 2035 without significant changes.

Thus, Cosigners agree with the Draft MSR's recommendation to allow SDCWA's internal reforms 24 months to *demonstrate* effectiveness. Notably, staff's recommendation of a 24-month touch point with SDCWA includes *no change* to SDCWA's existing Sphere of Influence. By contrast, shelving this MSR entirely for four years would constitute an abdication of LAFCO's primary responsibility to ensure logical and efficient governance.

Therefore, Cosigners respectfully request the Commission resume work on the water wholesalers MSR, update Part I to reflect SDCWA's recent actions, and complete Part II of the MSR related to MWD. Thank you for your time, oversight, and dedication to San Diego County.

Sincerely,

Phillip Musegaas
Executive Director, San Diego Coastkeeper

Livia Borak Beaudin
Legal Director, Coastal Environmental Rights Foundation

Pam Heatherington
Executive Director, Environmental Center of San Diego

Anthony Dang
Policy and Community Outreach Manager, Climate Action Campaign

Ida Kaller-Vincent
Executive Director, Earth Discovery Institute

Dan Silver
Executive Director, Endangered Habitats League

Karin Zirk, Ph.D. (she/her/hers)
Executive Director, Friends of Rose Creek

Suzanne Hume
Educational Director and Founder, CleanEarth4Kids.org

Charles Rilli
Policy Director, San Diego Climate Week

Anne Middleton
Associate Director, WILD COAST

Joana Guerra
Chapter Manager, Surfrider Foundation San Diego County