

IRVINE RANCH WATER DISTRICT POLICY POSITION  
SPECIAL DISTRICT CONSOLIDATIONS

October 2004

Issue Summary:

Consolidation of special districts has been a fact of life for IRWD since 1996. The District has participated in successful consolidations with the Santa Ana Heights Mutual Water Company, Carpenter Irrigation District, and the Los Alisos Water District. Each of those consolidations was different in nature and presented unique challenges to achieve a successful outcome. As a group, however, each consolidation effort exhibited certain similarities that can be helpful in establishing key principles to develop IRWD's policy on special district consolidations.

Interest in pursuing further consolidations within Orange County is likely to continue into the future. Opportunities to consolidate will be considered by special districts as they seek to reduce costs and enhance reliability and may be initiated by the Orange County Local Formation Commission (LAFCO) as part of its mission to improve governance and encourage orderly growth. The District's board members and senior staff can expect to be asked about consolidations in general, and perhaps about specific consolidation scenarios. As such, the District needs to adopt formal policy principles reflecting its view of consolidations.

Policy Principles:

- External Considerations
  - Special district consolidations involving IRWD have historically benefited the ratepayers through improved customer service, increased operational efficiencies, lower administrative costs, enhanced reliability, and equitable treatment of all areas within the consolidated district.
  - To maximize benefits to customers, special district consolidations should be implemented through mutual agreement of the governing boards of the consolidating agencies.
  - IRWD does not support unilaterally initiating consolidations, detachments, or other forced service boundary changes.
  - Utility service issues associated with urbanization and infill growth combined with aging infrastructure and a more stringent regulatory environment should prompt all special districts to evaluate consolidations as a method to cost-effectively address these issues on behalf of the public.

- LAFCO should support and encourage special districts to evaluate the resolution of utility service issues through potential consolidations, and should fully analyze the potential benefits of consolidations through the Municipal Service Reviews and other processes.

Internal Considerations:

- Establishing equity between the consolidating agencies is of critical importance to IRWD. Equity is primarily achieved by ensuring that the assets and liabilities of each of the consolidating agencies are fairly recognized and accounted for within the terms and conditions of the proposed consolidation. The methods to achieve equity may vary in each consolidation, but the goal of achieving equity is fundamental to a successful outcome.
- Consolidation actions should not result in “cross subsidies” between IRWD ratepayers and the ratepayers of IRWD’s consolidating agency. Each ratepayer group shall pay its fair share, no more or no less.
- Fair treatment of the employees of IRWD’s consolidating partner is an essential component of a consolidation. All current employees of IRWD’s consolidating partner on the effective date of consolidation will be integrated into IRWD’s workforce within the same compensation and benefit package in effect for IRWD’s existing employees.
- IRWD believes that consolidations are best implemented when its consolidating partner provides interim representation of the consolidated area during the transition phase. This is best accomplished by establishing a management or advisory committee consisting of former board members, which serves for a fixed term from the effective date of consolidation.