

IRVINE RANCH WATER DISTRICT POLICY POSITION SPECIAL DISTRICT CONSOLIDATIONS

Revised: October 12, 2026

Issue Summary:

Since 1996, IRWD has been involved in five successful special district consolidations with the following entities: Santa Ana Heights Mutual Water Company, Carpenter Irrigation District, Santiago Canyon Water District, Los Alisos Water District, and the Orange Park Acres Mutual Water Company. Each of those consolidations was different and presented unique challenges to achieve a successful outcome. These consolidations did exhibit certain similarities that represent key principles on IRWD's policy on special district consolidations.

Water system consolidations within Orange County has continued to be a topic that comes up every few years. Opportunities for consolidation are considered by special districts, particularly when they seek to enhance reliability, improve services, and/or reduce costs. IRWD'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 has adopted formal policy principles reflecting its view of consolidations.

Policy Principles:

1. Consolidations of special district retail agencies should benefit ratepayers through improved customer service, increased operational efficiencies, lower administrative costs, enhanced reliability, and equitable treatment of all areas within the consolidated district.
2. Consolidations of special district wholesale agencies should also result in improved service, increased operational efficiencies, lower administrative costs, enhanced reliability, and equitable treatment of all areas within the consolidated district, with deference given to the retail entities served by the consolidating wholesale agencies.
3. Consolidation actions should not result in "cross subsidies" between ratepayers and taxpayers served by the consolidating agencies. The costs and risks associated with each consolidating agency should remain the responsibility of that agency until service, operational, and financial "parity" is established between the resulting ratepayer groups.
4. To optimize benefits to all customers, special district consolidations should ideally be implemented through mutual agreement of the governing boards of the consolidating agencies.
5. Where more than one agency may be able to achieve the benefits of consolidation, entities seeking to consolidate should gauge interest and solicit proposal(s) from other agencies to ensure that the customers of the consolidating agency will realize maximum benefit.
6. IRWD does not support unilaterally initiating consolidations, detachments, or other forced service boundary changes.

7. A consolidating agency may determine that separate rate areas are needed to ensure that a consolidation action does not result in a cross subsidy between ratepayers. The long-term need for separate rate areas should be left to the consolidating agency, just as normal rate setting would, and should comply with legal requirements such as Proposition 218 and / or Proposition 26, as applicable.
8. Establishing equity between the consolidating agencies is of critical importance. 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.
9. The Local Agency Formation Commission of Orange County (LAFCO) should support and encourage special districts to evaluate the resolution of utility service issues related to urbanization, infill growth, aging infrastructure, increased costs and a more stringent regulatory environment through potential consolidations and should fully analyze the potential benefits of consolidations through the Municipal Service Reviews and other processes. If a special district does not resolve utility service issues, LAFCO should address the failure consistent with existing provisions within the Cortese-Knox-Hertzberg Act.
10. The fair treatment of employees is an essential component of any consolidation. In consolidations involving IRWD, all current employees of IRWD's consolidating partner, on the effective date of consolidation, are welcome to join IRWD's workforce within the same compensation and benefit structure in effect for IRWD's existing employees.
11. Strong consideration should be given to the consolidating partner providing interim representation of the consolidated area during a transition phase. This is best accomplished by establishing a management or advisory committee consisting of former board members, which would serve for a fixed term from the effective date of consolidation.