



April 5, 2023

Via Email and Regular Mail

Mayor Todd Gloria
City Administration Building
202 C Street, 11th Floor
San Diego, CA 92101

Honorable Mayor Todd Gloria:

On behalf of the Fallbrook Public Utility District and the Rainbow Municipal Water District, we want to express our disappointment with the City of San Diego's decision to oppose our detachment petition. We are perplexed as to why the City is trying to prevent our ratepayers from exercising their legal right to determine their future water purchases given the City of San Diego's plan to substantially reduce its own water purchases from the County Water Authority.

Our staff has maintained a proactive and open dialog regarding detachment with the Mayor's Office over the past several years, so we were surprised when your delegate Adrian Granda made the motion before the Cities Advisory Commission on March 17, 2023, to support denying our Detachment Petition.

An alternative option presented to the advisory commission would have allowed our districts to detach with a required exit fee, eliminating potential minor cost increases to remaining SDWCA members, including the City of San Diego, for five years. Ratepayers of Fallbrook and Rainbow have long subsidized SDCWA infrastructure improvements benefitting the City of San Diego that our districts have no ability to access, including the \$1.5 billion San Diego County Emergency Water Storage Project. While we understand the City's desire to avoid any cost increase no matter how small, LAFCO and its representatives have a responsibility to seek fair and equitable agreements that prevent any one district from shouldering an unfair burden for others, such as ours.

According to numbers provided by LAFCO's independent consultant Dr. Michael Hanemann, the City of San Diego would be one of the least impacted agencies should we switch wholesale water suppliers and pay no exit fee. Under this scenario, the impact on your ratepayers would be approximately \$1.05 per month. Again, the alternative proposal with an exit fee would make your ratepayers whole for five years, allowing the SDCWA time to prepare and adjust its budget priorities accordingly.

Conversely, the City of San Diego proposes to pay no fee to the SDCWA once its Pure Water program is up and running, which would reduce its water purchases from SDCWA by 33,600 acre-feet each year. Based on an analysis by Dr. Hanemann, the annual revenue impact of San Diego's roll off from the SDCWA will be approximately \$32 million – much greater than the estimated \$10 - \$12.5 million impact our two districts' departure will have on the SDCWA. If Fallbrook and Rainbow do not switch suppliers, the rate impact of San Diego's Pure Water program on our ratepayers – who already pay the highest rates in the county – will be nearly triple the financial impact our detachment could have on ratepayers in San Diego after our exit fee expires in five years.

That increase, compounded with skyrocketing annual rate hikes imposed by the SDCWA, will further exacerbate the destructive effects the cost of water has had on our rural economy, the livelihoods of our local farmers, farm workers, residents, and the environment.

Unlike many agricultural communities in California, our districts are comprised of smaller farms - over 1,000 averaging six acres - spread across steep terrain mainly suitable for water intensive avocado and citrus orchards. These small businesses make up the backbone of our economy and are the largest employers within our districts – jobs we desperately need to keep and hopefully grow.

According to the most recent Census, Fallbrook, a majority Hispanic district with over 32,000 residents, has one of the highest poverty rates in the region at 15.4% and a per capita income of \$31,000 compared to the County with 11.6% and \$42,700 respectively. The majority of the population in our district lack a college degree (73.8%) and many are dependent on agricultural or related work. Not only do these residents' livelihoods depend on farming, their households are also subject to the highest water rates in the region.

Many farmers in the region have already cut down thousands of avocado trees due to prohibitive water costs. Further rate increases will assuredly see many more farmers go out of business while further degrading one of the largest carbon sinks in the region. Detachment is not only the remaining lifeline for our local economy, but is also a means to help the region as a whole.

Our farmers and residents are no longer able to continue subsidizing costly infrastructure investments, for which they receive no benefit, at the expense of their livelihoods. We hope the City of San Diego will reconsider its current position and work in a cooperative spirit to ensure a fair and equitable agreement is reached through a transparent LAFCO process.



Charley Wolk
Board President
Fallbrook Public Utility District



Hayden Hamilton
Board President
Rainbow Municipal Water District