



Dear LAFCO Commissioners,

On July 10, you face an unprecedented decision that will affect generations of San Diego water ratepayers. Over the next several years, working families, farmers, and small businesses will be forced to pay nearly \$200 million more for water unless the agencies seeking to leave the San Diego County Water Authority are required to fully cover their costs.

We are deeply concerned that the Commission could make such a momentous decision without ensuring the accuracy of the costs of detaching from the Water Authority. The exit fee proposed by LAFCO staff is based on years-old data and questionable projections that understate the actual costs of detachment by at least 50%.

Like everything else, costs related to water supplies – such as treatment and energy costs – have significantly increased since LAFCO gathered its data, and that inflation isn't accounted for. In addition, the LAFCO data don't reflect the fact that the financial impacts of detachment will continue far beyond LAFCO's five-year horizon, which does not reflect the actual lifespan of water infrastructure or the debt used to finance it.

The net effect is that while the LAFCO staff recommendation includes an exit fee of about \$4.8 million a year for five years, that isn't close to covering the actual costs that will be shifted to residents elsewhere in the county. The chart below provides an updated impacts showing what each retail water agency in the region may have to pay each year to cover the projected \$18.9 million bill from Fallbrook and Rainbow leaving.

Unfortunately, LAFCO's staff recommendation to approve the detachment proposals by Fallbrook and Rainbow does not include substantive analysis of impacts to disadvantaged communities or to agriculture in the Water Authority service area. Nor does it include environmental analysis required by law.

We urge the LAFCO Commission to take the appropriate time to conduct an updated financial and environmental analyses – and to require Fallbrook and Rainbow to fully cover their costs so they don't unfairly shift the burden to the rest of the region's water ratepayers.