

**UPDATE REGARDING THE FALLBROOK PUBLIC UTILITY DISTRICT'S APPLICATION
TO DISSOLVE AND TAKE OVER RAINBOW MUNICIPAL WATER DISTRICT**

Rainbow has been receiving many questions and concerns from ratepayers about FPUD's recent application to the San Diego Local Agency Formation Commission (LAFCO) to dissolve and take over Rainbow. Rainbow is providing this mailer in order to address these concerns and the misinformation currently being circulated throughout the community. If you have any further questions or concerns regarding the below, feel free to call the Rainbow offices at (760) 728-1178.

FREQUENTLY ASKED QUESTIONS ABOUT THE FPUD TAKEOVER:

1. Will the proposed FPUD takeover of Rainbow affect our rates?

NO. If the FPUD application is approved, your rates will not be automatically lowered or raised. The FPUD proposal states that "rates in each service area will not be affected by the Reorganization." **Nothing in the proposal to dissolve Rainbow promises or suggest it will lower rates for either Rainbow or FPUD ratepayers.** The proposed reorganization is premised upon keeping the finances of the two agencies separate into the future. Therefore, there is no direct impact on rates under the proposed dissolution/reorganization.

2. Is FPUD's proposal a "hostile takeover"?

YES. LAFCO and FPUD are both aware that Rainbow's Board is strongly opposed to the proposal, does not want to be dissolved, and objects to FPUD's proposal. Rainbow's Board intends to pursue all legal avenues to stop the dissolution of Rainbow. Members of the Rainbow Board of Directors and staff appeared at FPUD's public hearing on this issue and spoke out strongly against the FPUD proposal. Rainbow's Board believes that hostile takeovers of agencies governed by locally elected boards are bad public policy, foster distrust, deflate public confidence and should not be encouraged.

3. Why should ratepayers care whether FPUD takes Rainbow over?

Because it may affect you (as a ratepayer) in the long term. Rainbow is a low-debt, budget-conscious district that has reduced costs and prevented rate hikes, while FPUD has shown a history of ineffective long-term financial planning. FPUD has amassed significant debt, and could use Rainbow's \$100 million in assets in order to leverage more borrowing for FPUD's future construction needs. Reorganization of the two agencies into one would permit the FPUD-majority successor board to make decisions which could negatively impact income and increase public indebtedness, at the expense of Rainbow ratepayers.

4. How will an FPUD takeover affect Rainbow employees?

The two agencies have incompatible employee benefit structures, which would inconvenience the Rainbow employees and may, in the long run, increase costs for Rainbow ratepayers. For example, combining the two employee groups under the same CalPERS retirement contract creates additional expenses for the Rainbow ratepayers because Rainbow's current employer contribution for its employee retirement is 14.66% of payroll, while FPUD's employer contribution is 28.39%. A reorganization of the two agencies into one would force the Rainbow and FPUD employees to operate under one contract, which would likely create a lower cost for FPUD ratepayers **but a higher cost for Rainbow ratepayers. This would be an undue and unfair burden on Rainbow ratepayers.**

5. Will an FPUD takeover affect Rainbow's agricultural community?

YES. Dissolution of Rainbow and the takeover of Rainbow's territory, operations and services to FPUD would marginalize Rainbow's agricultural community and threaten the existence of these important local farms. If FPUD's application is approved, the reorganized district's board (which would be governed by an FPUD majority) would have the authority and the ability to set policies and priorities regarding or affecting the agricultural community. This could negatively affect the Fallbrook agricultural sector. A decline in water sales would impact all ratepayers in the reorganized district.

**RAINBOW
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6. Weren't Rainbow and FPUD already combined into one agency under a Joint Powers Agreement? What happened to the joint agency?

Rainbow and FPUD created the North County Joint Powers Authority in April 2013 in order to explore and determine whether a combined agency would ultimately be a good idea. The agreement between the two agencies clearly laid out a termination and withdrawal process in case one or both agencies decided that it was not in the best interests of its constituents to combine the two agencies. In March 2014, after a year of attempting to work with FPUD, Rainbow decided that it was not in the best interests of its ratepayers to combine into one agency with FPUD, and terminated the joint agency following the terms of the joint powers agreement. Instead of respecting Rainbow's decision to withdraw move on, FPUD filed a hostile application to dissolve and take over Rainbow. This shows a complete disregard for the consensus-building process previously agreed to by the agencies, and an inability to trust FPUD and its decision-makers.

Finally, Rainbow's Board believes that all district voters deserve an equal opportunity to elect a representative from their neighborhood. FPUD's application would allow several board members who live on the same street to be elected, contrary to the democratic principle of "one person, one vote." Rainbow could not agree to this unfair and undemocratic approach to governance.

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**COMMENT PERIOD TO LAFCO IS OPEN**

RMWD staff has received many inquiries from individuals regarding how and when they may submit their comments to LAFCO in regards to FPUD's attempt to take over and dissolve RMWD. That comment period is **NOW**. Please note RMWD has received notification from LAFCO that this comment period will expire on **JULY 11, 2014**; therefore, time is of the essence.

Any RMWD customers and interested parties wanting to submit comments or concerns are encouraged to do so by submitting such to **San Diego LAFCO, ATTN: Michael Ott, 9335 Hazard Way, Suite 200, San Diego, CA 92123** or email [mike.ott@sdcounty.ca.gov](mailto:mike.ott@sdcounty.ca.gov)

For more information please visit [www.rainbowmwd.com](http://www.rainbowmwd.com) "News/Reports". We thank you for your interest and should you have any questions, please call (760) 728-1178.

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SPECIAL AGRICULTURAL WATER RATES TO CONTINUE

The San Diego County Water Authority's (SDCWA) Administrative & Finance Committee is recommending to their full board that the Special Agricultural Water Rate (SAWR) be continued through calendar year 2015. We anticipate that the full SDCWA Board will adopt continuance of the SAWR program as recommended by the committee at their June 26, 2014 public hearing. The SAWR program was scheduled to terminate 12/31/14 so the one-year extension is good news for all concerned.

Rainbow currently has 1,335 customers enrolled in the SAWR program with annual water sales of approximately 14,000 acre feet. Those eligible growers who have not chosen to participate in the SAWR program may still choose this option if so desired. Please call our Customer Service Department for the appropriate application form.

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**COMMUNICATIONS COMMITTEE VACANCY**

RMWD is currently seeking new community volunteers to fill vacancies on its Communications Committee.

This Committee is responsible for matters of internal and external communications including: positive public image; positive staff relationships; community outreach; media relations; water conservation programs; intergovernmental relations; and other public relations programs.

If you are interested in volunteering to serve on the RMWD Communications Committee, please contact Dawn Washburn at (760) 728-1178 Ext. 129.