

Speaker 1 ([02:21](#)):

Smacked out the SB pen housing

Jakob McWhinney ([02:23](#)):

Laws. Be louder. Okay. I think we're ready to, to get going here in case. My name's Jacob McClinney. I'm the education reporter at Voice of San Diego. In case you're not familiar with us, voice of San Diego is the nonprofit investigative news organization committed to holding public officials accountable and giving you the public the information we need to be advocates for good government. As a nonprofit, we depend on members and donors like you to make our work possible. So really thank you

Speaker 1 ([02:54](#)):

For your support.

Jakob McWhinney ([02:54](#)):

We appreciate that you're all here. I'd like to take a minute to recognize our sponsors who help make politic best possible, possible. A special thanks to the College of Arts and Sciences at the University of San Diego for being our partner for a 60 year in a row. Our thanks also to a r p Bergham Center for Community Advancement, the San Diego County Water Authority San Diego Foundation, Atlantis, California American Water, Cox, San Diego Housing Federation, or Moore Center for Real Estate. And USD's now School of Business, planned Parenthood <inaudible> Development Private Action Campaign, no Vote Brewing. Our media partner, K P B S, and our partner for this year, Cal Matters. If you're unable to attend any of these sessions in person, don't worry. We'll be posting the recordings to the members only page of our website next week. To submit questions, use the q and a function of the CNT app. I'll have that up here on the screen shortly. You can also tweet along with the session and share your experiences by using hashtag Fest 2023 on social media and tag us on Instagram and Facebook. It's my pleasure to introduce our moderator, managing editor Andrea Lopez via

Andrea Lopez-Villafañá ([04:17](#)):

Hey, everyone. And if you didn't turn Jacob's announcement our roots were switched. So this is the cost of water snack down. I that on the other side, but I know of you here because you're excited and wanna hear not water

Nick Serrano ([04:35](#)):

Only, only a handful of people. Good start's. Good start.

Andrea Lopez-Villafañá ([04:40](#)):

So thank you for joining us. Now I wanna set the stage for what we're gonna talk about and valuable. So I'll start

Nick Serrano ([05:14](#)):

What's going on?

Andrea Lopez-Villafañá ([05:16](#)):

Much

Nick Serrano (05:18):

Just a big major civic event. I'm glad to see all these people here. I mean, not over at the SB 10 thing. Eat Your Heart House, Scott Lewis <laugh>,

Andrea Lopez-Villafaña (05:28):

And of course, right. Manager of Public Utilities District.

Nick Serrano (05:35):

Yeah. And never thought he'd be at a water nerds panel, so that's a prize he got on being on the Water Authority Board. I guess other duties as assigned <laugh>

Andrea Lopez-Villafaña (05:47):

Use that.

Nick Serrano (05:50):

I actually think I stole that from the mayor, so I know he is gonna hear this later. So I just wanna make sure that I don't get yelled at later.

Andrea Lopez-Villafaña (05:58):

So let's just start quick Foundation, if one of new explain what the heck is the San Diego County Water Authority?

Nick Serrano (06:06):

Yeah. well, so I'll, I'll give you the, the primer about the San Diego County Water Authority. So, San Diego County Water Authority was formed in about 1944 under the County Water Authority Act. We are essentially a wholesale water supplier, so we purchase and import the water that we need for the region. And then we have member agencies who serve on a board of directors. So it's a 38 member board 20 plus member agencies. And so the water authority purchases imports the water and provides it to the member agencies which are, some are water districts that are like Fallbrook. Some of them are cities like the city of San Diego. And then the water ends up getting purchased by the member agencies like the City of San Diego, and then ultimately provided to the customer. So I think that's a high level, right? You wanna add anything?

Jack Bebee (06:56):

Yeah, I mean, I, I think Nick got it perfectly. The only thing I think to add is the, to make it even more confusing for everyone is the water authority then buys a lot of its water from Metropolitan. Who is the one who's getting water from the Colorado River and State Water project water. So, as a retail agency, when you get your bill, you're not, most of your money isn't going to that retail agency, right? That retail agency is having to pay the wholesale agency in, in our case, the water authority who's having to pay metropolitan. So that's part of why, you know, cost of water is expensive in Southern California. There's a lot of infrastructure between you and your water. There's a lot of public agencies between

Nick Serrano (07:38):

You and your water.

Andrea Lopez-Villafaña (07:40):

Thank you. So how many reef payers do you represent?

Jack Bebee (07:44):

So, so Fallbrook public utility districts. So how many people have been to Fallbrook? And when I say been to Fallbrook, I mean, you gotta go the 10 minutes off. I 15, not through the freeway, but the 10 minutes off I 15 to downtown Fallbrook. Right.

Nick Serrano (08:00):

Nick's been, Nick was there recently. You Yeah, you invited me. I invited

Jack Bebee (08:03):

Him. Yeah. So

Nick Serrano (08:05):

We, we

Jack Bebee (08:05):

Serve what's really sort of downtown Fallbrook in an area most people probably doesn't, don't know, exists in San Diego County, which is Duluth. So Duluth is up behind Camp Pendleton, kind of Orange County, camp Pendleton. People that live in Duluth are 35 minutes away from downtown Fallbrook. So we're about 28,000 acres, but only 35,000 people. So, big service area fairly limited number of people. Fallbrook you know, hasn't changed. It hasn't grown that much. So it, it was a relatively larger, you know, community in San Diego County. You know, our district was actually formed in 1920 and it really grew up around avocado. So that's what built Fallbrook, that region was avocado development. You know, really is is

Nick Serrano (08:55):

Was the hub in the

Jack Bebee (08:56):

Fallbrook

Nick Serrano (08:56):

Area.

Andrea Lopez-Villafaña (08:58):

And what about you, Nick?

Nick Serrano (08:59):

Well, the city of San Diego serves 1.4 million people. And so we, at the I would say that one of the things that's interesting, that's kind of a fun fact about the city of San Diego and its relationship with the Water Authority the, the water that we purchase from the authority is outside of our personnel at the city of San Diego, the largest expenditure that we have. So in 2022, we spent about \$350 million purchasing

water from the Water Authority to get it to the residents of the city of San Diego. And so by extension, we're the largest customer of the San Diego County Water Authority.

Andrea Lopez-Villafañá ([09:35](#)):

What does it mean to be the largest customer?

Nick Serrano ([09:38](#)):

Well as the largest customer we do have a promotional vote share on the Water Authority Board in terms of its governance. So the, the city's representation on the board, we have 10 representatives of the city. It's about 38% of the, the vote at the water authority. And that is by the, the fact that we do purchase the most from the water authority and are it's largest customer.

Andrea Lopez-Villafañá ([10:06](#)):

Can you guys hear me okay? So my mind is a little lower. Okay. You yell at me. If you can't hear me, I'll yell at you back. So let's set up, where are we now? The city of San Diego approved San Diego City Council approved in about, approved in about 20% increase. That's over the next two years. What's up for that?

Nick Serrano ([10:29](#)):

Well, it's a couple things. I mean, so there is a, you know, a cost of service study that the city of San Diego has to do, which basically is an analysis of the, the, the needs that we're going to have to provide water to our residents matched with the infrastructure that we're gonna need to get that work done. I mean, to get the water to people's households. So we're required by law to look at that over a number every number of years. And that produces what type of revenue we're gonna need to bring in in order to provide the service to our households. So what you saw was the city of San Diego for many years had not done that. And so we just did it this year. And so part of it is an increase to be able to continue to provide residents with the water to maintain the infrastructure that's necessary to get that water to your household.

Nick Serrano ([11:20](#)):

And then added in on that is a pass through charge that comes from the San Diego County Water Authority. So basically when the Water authority increases rates, that goes trickles down to the member agencies and the member agencies have to decide at that point what they do with that. Member. Agencies generally aren't in a position just to eat it themselves. They need to then pass that through to the customer. And so that's why anytime that you watch a board meeting at the authority, and we talk about water rates, at least the time that I've been there it's a very long discussion and it's can get a little bit charged at times because we are talking about, you know, asking, you know, the public to pay more. And since the time that I've been on the authority, I've really tried to center this conversation about affordability.

Nick Serrano ([12:07](#)):

I'll tell you that in, you know, I, I got on the board in 2021 and I think one of the first votes I took was on the budget and contemplated in that was rate increases. And it seemed just kind of a benign conversation to my colleagues at the time where it was just kind of not something that there's a lot of comment on, just kind of like, oh, hey, we're just gonna wrap our stamp this. And I remember looking at one of my new colleagues Ismahan Abhi who represents the city of San Diego. And we got on the

authority with that same purpose of looking at affordability. And it was very interesting that we both looked at each other and was like, is anybody gonna say anything on this? 'cause I think this is an issue. And so we've really tried to center this conversation about affordability because we know that comes from the water authority ends up a, as rate increases to the residents, in my case of the city of San Diego and Jack's case, the residents of Fallbrook.

Andrea Lopez-Villafañá ([13:00](#)):

You mentioned earlier, Nick that part of those increases that we saw, you know, the City Council Creek, including something that the city had not done in a while. Why is that?

Nick Serrano ([13:12](#)):

Well, I, I think you'd have to ask past leadership. I mean, a lot, a lot of the stuff that we're currently doing at the city of San Diego is trying to correct a lot of bad things that didn't hap that happened or you know, clear the decks of issues that have long gone unresolved. And I think the, the truth of it, the matter is, is that, you know, water rate increases aren't politically popular. I mean, no one wants to increase people's water rates, right? I mean and so I think people didn't do this study because of the fact they didn't want to know whether they needed to increase people's water rates in order to provide the service that is necessary over the next number of years. And so you end up in this space where not doing that work, you're not bringing in the revenue that's necessary to keep up with today's times to keep up with inflationary costs.

Nick Serrano ([14:02](#)):

And so, you know under this mayor, you know, he wasn't interested in, in deferring that conversation, he wanted to know what it's gonna, you know, what's gonna be necessary. And you all hear about it all the time, or you may see it in your own neighborhood. I mean, case in point, all the water main breaks that happen in the city of San Diego, right? That is, that is not keeping up with the infrastructure that's necessary. And so we have to do, we have to do that work. And so unfortunately this study produced you know, the increase that's necessary. And so we asked the city council to approve it and we're grateful that they did. Yeah. And I think people

Jack Bebee ([14:38](#)):

Need to be aware, the trajectory we've put ourselves in the region, there's gonna be very significant

Nick Serrano ([14:45](#)):

Water rate increases. And there have been, in, in

Jack Bebee ([14:47](#)):

Some cases we've been so focused on the supply side of and, and supply commitments are insurance. And so there needs to be a discussion, you know, do we have enough insurance? Do we have too much insurance? What does that insurance cost? And so that cost, the way we've set it up right now with this level of insurance, declining demands, reduced population growth, pretty stable population growth has a big impact on cost of water. On top of that, when you really look at it, everyone's been so worried about just passing through this cost, which the wholesale cost of the water authority's gone up significantly. They really have underinvested in their own infrastructure. And so in a lot of ways, there's a tendency to be solving the problem that was there in the past and not the one that's coming and infrastructure and breaks. You know, our, our district you know, has a lot of breaks.

Jack Bebee ([15:42](#)):

Like the city of San Diego, we were built over a hundred years ago, largely built by farmers that weren't saying, Hey, I wanna make sure this lasts a hundred years. Those pressures really put a lot of pressure on water rates and create real affordability challenges. You know, our, our community has a large disadvantaged community, which you may not recognize unless you've been to downtown Fallbrook to really recognize what, you know, what Fallbrook is. It's not, you know, a high, a highend area. And that combination of water supply costs, infrastructure needs is really creating some challenges.

Andrea Lopez-Villafañã ([16:15](#)):

Jeff, could you speak to the cost of water at <inaudible>? I mean, I think when we spoke earlier you mentioned that your ERs say high rates.

Jack Bebee ([16:23](#)):

Yeah, yeah. And it's a challenge. So if you look the cost of water in the county, so one depends how much local water you have. So it's a very complicated question. So if you have low cost local water, and, and the region, San Diego has been sort of fortunate that, you know, Sweetwater authority that serves a lot of the lower income areas has low cost groundwater. So they've shielded themselves to some extent from the cost of water that's affected the rest of us. But if you're a hundred percent reliant on wholesale water, that tends to be the most expensive supply. So you'll see the districts, so local water, so like Nick said,

Andrea Lopez-Villafañã ([17:01](#)):

Yeah,

Jack Bebee ([17:01](#)):

I gotta get a little nerdy, but I'm gonna try to give it less nerdy. So there's a San Diego County Water Authority, which is a membership of 24 member agencies. Those member agencies are separate and distinct entities, and based on when they were formed and where they exist, they might have groundwater, they might have rights to say Lake Hodges, you know, they might have rights to that water because they were formed near, but it's just geography. And so Fallbrook Public Utility District, for example, we don't overly a groundwater basin, so we didn't have local water. We do now, but that's, its whole other long story. It's with Camp Pendleton, I'm not gonna get into it. So some people have local water supplies, some are a hundred percent reliant on the water authority that affects their rates. Density is generally helpful. So if you're more dense, it's easier.

Jack Bebee ([17:46](#)):

So fallbrook's about, you know, a little over, you know, know, one, one person per acre city is about six times that, that means every individual owns a lot of infrastructure, right? So some people might live half a mile from their neighbor, you know, that, you know, you've got a half a mile of pipeline. So that infrastructure, you know, there's a cost to to having that lifestyle. So those are, you know, some big factors. The way the water authorities rates are set also impact different communities differently. So they're, they have a rate structure, it doesn't just isn't per unit of water you buy, but it has other factors based on where your water demands were. So Fallbrook, who's have dropped by more than 50%, we have this tailing cost we were paying to the water authority from past purchases. So you, our rates might actually end up being a little higher than others that are stable or growing.

Jack Bebee ([18:34](#)):

Also, if you have development, you know, California is sort of this perpetual growth model where some of the costs today are born by people that are, you know, building. We don't have any, you know, I might sell seven, eight meters a year. People think there's a lot of development in Fallbrook, but not in our service area. So you, you're not getting money to fund it. So it means everyone who lives there today is paying all those costs themselves. And so that's what drives rates and, and Fallbrook's sort of at the forefront because of all those factors. So what you're starting to see in Fallbrook, I think is an issue. You know, the, the city of San Diego now, where I think they're, you know, \$90 a month for kind of a, a standard bill where we're up closer to 140, right? So where we are at, where they're gonna be in five, six years with the trajectory you're on, that creates a lot of pressures in a local community.

Andrea Lopez-Villafañá ([19:25](#)):

So you mentioned the bill, right? I'm sure yeah, I just hate my landlord <laugh>, right? <Laugh>, I dunno how much I didn't, but you know, you open up your bill \$90 bill or \$140 bill. But at the same time we're, you know, we're hearing a lot that we're using less water as you know, individuals, we're mindful of the times that we water our lawns or you know, how long ours are. Maybe we don't listen to Beyonce in the shower for too long. How, like, why does that happen if you're not using much water?

Jack Bebee ([19:58](#)):

And, and Yeah, and I, I can explain, you know, Nick and I, I think generally have the same thoughts on where things need to go. We just have different perspectives, probably because I'm in the weeds of it and Nick's dealing with homelessness and other stuff where I just, I just do you know, water. So there is a conundrum there in that most of a, a fair portion of your costs are to maintain that infrastructure, right? So it's hard when we say use less water, but say Fallbrook public Utility District, for example, I, I can't have less people, right? The system's the same system. I have to collect all the same samples, I gotta do all that other stuff. And really, this isn't just a local issue. This is sort of a national issue, right? There's a lot of new regulations. We're detecting contaminants at lower levels. We're saying we want to treat those at lower levels. Our infrastructure's getting old. And so if a water district is gonna do all this and be all those things to, to those people, then

Nick Serrano ([20:53](#)):

You've

Jack Bebee ([20:53](#)):

Got these growing costs on less units of water. 'cause In California we're saying we want people to use less water. That

Nick Serrano ([21:00](#)):

Has an impact on

Jack Bebee ([21:01](#)):

Price of water. It basically

Nick Serrano ([21:03](#)):

Means you

Jack Bebee ([21:04](#)):

Can use the same amount of water, but your rate's gone up or you used 8% less. But then that puts pressure on the agency to say, well, I gotta recover that cost now on less units of water. So you use less water and your bill went up, right? And so that is really, you know, the, the, the challenge we're in is there's certain things we can adjust and there's certain things we can't. And I think that's one of the places, you know, from a Fallbrook side where it may be different than other water authority member agencies is

Nick Serrano ([21:31](#)):

Saying, with

Jack Bebee ([21:32](#)):

Everything we have, we can't pay the premium we're paying at the water authority, right? The investments they made that cost to us. We can't bear that with everything else that we need to bear where that's different based on different communities.

Nick Serrano ([21:45](#)):

And I would just say that I think one of the things that's sort of important is, and I wanna give a primer to this as well, you know, so the water authority is, you know, also subject to the same inflationary costs as everybody else, right? So sdg and e utility rates, you know, that if that goes up, that gets baked in at the water authority as well. Metropolitan Water District, as Jack mentioned, you know, they assess rates and charges as well. So if they increase water rates, then that's gonna get passed down to us. So there's kind of that, that's in there too. And then that's the sheer economics that we're talking about of water, the supply and the supply and demand, right? So, you know, we are using less water and, you know, at the authority, it's true enough that, you know, generations of water leaders have, you know, made investments, water supply, reliability, investments to make sure that our region is able to be able to provide our residents with, you know, water in times of drought.

Nick Serrano ([22:42](#)):

California has seen some of the most severe droughts and some of the most severe restrictions came down in about the nineties, which caused the water authority to start walking down this path of trying to make more local investments, or at least make sure that we're more insulated and rely less on imported water from metropolitan water districts. Right? But getting to what Jack was talking about, about sort of the Venn diagram where, you know, the city and Fallbrook have some agreement, which is with the question that I've been asking since I've been on the board, which was do those agreements, those long-term commitments that we made, do they make sense today? And my belief is based on this concept that what has always been shouldn't dictate what we do now, right? We have to be mindful of what the data is telling us in terms of consumption, what people are using in real time and year over year.

Nick Serrano ([23:36](#)):

And then we need to be able to have the flexibility to adjust accordingly. And I think one of the things that I've observed since I've been on the board, and I've shared this with the water authority staff, I've said it in board meetings too, is a lack of a willingness to get creative, to think outside of the box and maybe have some of these difficult and hard conversations to revisit some of the commitments that we've made. Because if we continue to procure water at the levels that we are, and it's just being

stored, then that's nice to have on a rainy day. But then at a certain point, you get to a place to where you're not selling enough, and then you have a gap that you're gonna then have to increase water rates. And so I think it's essential that the authority and the board really take a hard look at some of these commitments. And I will say that we are starting to do that work now. We have leadership at the authority that has heard the message and they're agreeing with it, and they're looking to do that work now. But I, I just believe that it's been long overdue and it's why we're in this place that we are. But yeah, I I I, I am hopeful in that sense that I think there will be some real opportunities for the authority to be able to do some of that stuff to then address rates.

Jack Bebee ([24:51](#)):

Yeah. And, and, you know, an entity like the Water Authority where you've got a 36 member board and 24 member agencies, you're a bit of an oil tanker, right? And so it, it doesn't turn that quickly. You know, some of us, I think the frustration is, we've been saying for a while, Hey, we're headed towards an island, and for a long time people say there's no island there. And I think now we're saying there, there's an island and we need to start to think about moving. There's still a group that's sort of convinced the island will move. And I think that's, that, that really gets, needs to get addressed is no, we're, we're gonna have to start to turn, you know, the difference in frustration I still have is as I'm at those meetings, I hear Nick and I go, that, those are good points, but it doesn't seem like we've yet started to turn the water authority has yet started to turn.

Jack Bebee ([25:35](#)):

And the problem is, if you wait too late, then your turning has to be really evasive. And so I think getting that movement now is important. I think there's a group there that, you know, wants to do it, but the times running out quicker than people realize is demands have dropped. You know, so they were, they, we, we anticipated the water authority anticipated to sell about twice as much water as we are today. So a lot of the past moves were based on a different future than where we're at today. Projections still say, well, we're gonna, you know, don't worry, we're gonna make up some ground in, you know, I think about a hundred thousand acre feet or so over the next, you know, five, 10 years. Again, putting that in perspective, I think this year they sold 350,000 acre feet. Don't worry about what an acre foot is, just to put it in relative context, you know, that's a significant growth and demand. I think there's a starting realization that price has an impact, right? So that that recovery and demand sort of is ignoring the fact that

Nick Serrano ([26:33](#)):

Once

Jack Bebee ([26:34](#)):

You take out a lawn, you know, and you start to save \$300 a month in water for this lawn, you're probably not gonna put it back in unless you win the lottery or something like that. That that's, there's a real cost. And when a lawn's \$500 a month, then you're gonna make this investment to take it out because it may not be worth \$500 a month of enjoyment. So that future is one that we really need to, the, the, this region really needs to start planning for. We need to have a plan for a future in which demands do not recover these projects that are gonna increase supplies here. The city of San Diego projects, they're getting built, right? They, their, their Pure Water project is phase one at least, is, is on the way. There's another project in East County, there's a lot of investment in this region in water supplies.

Nick Serrano ([27:22](#)):

And that

Jack Bebee ([27:23](#)):

Means there's more money that has to go to pay that unless there's an adjustment, it impacts everyone who's part of this regional entity. It just kind of moves money around. So

Nick Serrano ([27:32](#)):

That,

Jack Bebee ([27:33](#)):

That's the, there's gonna have to be a big change in change in thinking or else, you know, the, what the city's just had to do in the last two years, that's gonna be the next 10 years. And you're gonna see 10 years from now, your bill's gonna be twice what it is today, unless there's a real serious commitment to taking a new look at how we do things.

Nick Serrano ([27:51](#)):

And you, one of the things that I've been sharing with the authority is that, you know I'm, I'm gonna do a poll and I may do myself a disservice here. How many people knew what the San Diego County Water Authority was? Okay.

Jack Bebee ([28:05](#)):

It, it's a lot of water Yes. Landing here.

Nick Serrano ([28:08](#)):

Oh, it was helpful just

Jack Bebee ([28:09](#)):

To know who

Nick Serrano ([28:09](#)):

In the room, right?

Jack Bebee ([28:11](#)):

You know,

Nick Serrano ([28:11](#)):

I mean, a lot. So I'll just say, you know, as when I talk to residents, a lot of people don't know that the water authority exists. And if you watch a Water Authority Board meeting, there's not a ton of people coming there to public comment. And to Jack's point about, you know, with these local projects coming online, water rates increasing what Andrea was sort of talking about, the sticker shock that people are getting at the bills. You know, I'm telling you, you know, we at the city of San Diego and at the other retail agencies, yes, we, we are the ones who provide you with the bill, and we're the ones who get

yelled at. But increasingly, if we get to this place, I think a lot more people are gonna find out where the water authority is, and then the public is gonna start to demanding some changes, right?

Nick Serrano ([28:52](#)):

So to Jack's point, that's where we've been pushing, and I've been urging my colleagues on the board to start asking these questions and to be engaged, because I think for a long time, and certainly this is the way I feel as two years in, I don't know how engaged member agencies have truly been at the San Diego County Water Authority. And so I think we have more people who are engaged in part of the conversation. We've had turnover, and that's not a shade on, you know, people who weren't there, who were there previously. But I do think that all of us are feeling these pressures, and you can certainly feel it as a board member in the room. And so I think that's gonna be one of the real conducive parts to driving some of this change, because we're going to have to, because the public's gonna demand it.

Andrea Lopez-Villafañá ([29:37](#)):

So I, I'm loving, friendly conversation, but I do, I do wanna get into a bit of a SmackDown. Okay. So Jack, you guys got a lot of stuff going on, break up, not

Jack Bebee ([30:01](#)):

So, so is the, is is the question why, why So, yeah, so, so a lot of this predates you know, when Nick's, Nick's been on there too. So we've been at it for about four years now. And, and you know, the reason a little simple for us, for Fallbrook Public Utility District is that our geographic location is such that we actually don't need any infrastructure from the Water Authority. So I get all my water off Metropolitan Water District pipelines directly, right? So today, so a hundred percent of my waters coming off the metropolitan Water District pipelines because I'm a member of the San Diego County Water Authority, I'm part of their wholesale rate structure, and I pay fees for infrastructure that we don't use. Now, if we are still in a place where demand was picking up and my growers were saying, I need more water you know, we just can't get enough water, well, then, you know, this, this kind of insurance policy of being with the water authority and paying a premium might make sense, but that's not what's happening.

Jack Bebee ([31:04](#)):

So, you know, if you've been through Fallbrook, you see a lot of dead trees and you see a lot of people going out of business, and you see a lot of people that can't pay their water bills, and you see sort of the backbone industry in Fallbrook going away, which puts you on a different trajectory. So, you know, part of it is just the dynamic when we sort of first raised these issues with the Water authority, like, Hey, this, this relationship isn't quite working for us anymore. We were original members. So in the forties we said, Hey, let's be with the water authority. And the cost of water to get it from the Water Authority or Met was, wasn't that different, that there wasn't this big premium, but now that premium's \$400 an acre foot versus what I could get it from met, which I have to go through another wholesale agency, but I wanna explain that.

Jack Bebee ([31:51](#)):

But essentially to kind of just get, get this water. And so that really drove the, the, the question of saying, well, you know, there's a mechanism. And when we joined the Water Authority and said, here's how you join, and if you wanna leave, here's how you leave. Right? You basically, you have if you have property tax based fees, those property taxes continue to go to the water authority and your people get to vote, right? So we thought, all right, well, at least didn't make sense. Let's ask our rate payers what

they think. Let's, let's, let's bring it to a vote and, and give them a choice. You know, part of what drove this too is I had a rate hearing like Nick did, it was about, oh, seven years ago maybe now. And it was first time I got put as acting gm. The old GM wisely in the middle of this decided he, he had enough of this, you know, we were standing room

Nick Serrano ([32:44](#)):

Only

Jack Bebee ([32:45](#)):

In Fallbrook, right? And those weren't people telling us we're really excited about this rate increase. And really all we did is tell 'em what we had been doing. We said, Hey, water costs are gonna go up 8% a year for the next five years. That's what they'd been going up in the past. But we didn't really tell people, we just ra, you know, we did a one year, you get a two 18, notice what it's called. It doesn't make any sense. No one can read it. And we said, well, we need to let people know what's coming and do this. And so we had people out in front of the grocery store with petitions. You know, we got, I don't remember, close to 2000 petitions, people signing, you know, if you get too many of those, you can't raise rates and you're, you're insolvent. So cost to water, while people in a lot of places, oh, this is aggravating.

Jack Bebee ([33:27](#)):

It was a huge issue, you know, in Fallbrook. And so that's really what drove us to saying, we can't, business as usual isn't gonna work. We have to do something, you know? And, and so we met, you know, with the water 30 back then and said, Hey, we're thinking about kind of exercising this, right? You know, it, look, here's the differential. You know, I went to my board, you know, I tried to figure out ways kind of not to do it, honestly at first. 'cause I go, this is gonna be painful, right? This switching wholesale providers. But when you started to knock those things out, you said, well, it kind of makes sense for our community to do it. And back then the position was, you know, we're gonna fight you and, and we're not gonna compromise anything. So that sort of embedded us in a trajectory to say, all right, well, we gotta go down this road.

Jack Bebee ([34:10](#)):

To which, you know, there's a vote November seven now of, of our rate payers. And so, you know, in some ways it's too bad because I think, you know, there, there might have been a different, and, and who knows, the voters could vote one way or the other. They might say, we wanna stay. It's, we think it's worth the premium. It it, you know, it's sort of their choice. But I, you know, I think there was a different trajectory at the beginning of it, but it, it, you know, it's cost a water and sort of the differential impact that you're seeing in some rural communities versus, you know, sort of the political inconvenience you're seeing in some other urban communities. You know, the, the sort of lifeblood of fallbrook's crumbling and, you know, there's something we had to do about it.

Speaker 6 ([34:47](#)):

What's your side of this?

Nick Serrano ([34:50](#)):

Well you know, I mean, from the city's perspective, you know, so I got, again, context. I got brought into this in May of 2021, right? So this was

Jack Bebee ([35:01](#)):

Three

Nick Serrano ([35:01](#)):

Years plus, or that had already, the conversations had already happened. Ball was rolling at Ico, you know, so I, I just kind of got thrown into the middle of this for

Jack Bebee ([35:11](#)):

Whatever reason you might explain LA I was gonna say Laugh Co.

Nick Serrano ([35:14](#)):

Oh, the, the, sorry, sorry. Local agency Formation Commission, they decide boundaries for water districts, governmental entities and all that stuff. It's a super fun place. You also check it out. So, and so from the city's perspective, you know, we just felt detachment was a distraction. It's, it's not a real

Jack Bebee ([35:34](#)):

Solution

Nick Serrano ([35:34](#)):

To

Nick Serrano ([35:35](#)):

The, the problems that we're facing as a region. And case in point for us is the fact that, you know, 70%, about 70% of agriculture lies outside of Fallbrook and Rainbow. And so when they're saying that, you know, they're doing this on behalf of their communities, we feel like, well, there's a larger conversation that we should be having then because very cause that they're fighting for is going to inherently hurt the other agricultural communities in the region through increase in water rates and whatnot. So, you know, when, again, I think we got to a place to, you know, just the, the ball had already been rolling, and each side was sort of stuck in their positions. I, you know, and me and, and in my role in leadership with, along with our new chair, tried to get this to a place where we could maybe create some sort of settlement agreement, but we ended up just too far down the road.

Nick Serrano ([36:27](#)):

And so, you know, the other point that I would make is that, again, at the Water Authority, I represent the city of San Diego, right? Our residents are gonna be subject to what I think we now know is if detachment occurs a 5% water rate increase or whatever, what am I supposed to tell my residents at the city? Right? I mean, that was sort of my perspective about what am I supposed to say when I have to, you know, go to them and say, you know, there's this rate increase that we're gonna have to bake in because of this is what happened, right? So I think that was our perspective where we tried to, where the city ultimately opposed attachment. We don't think that it was fair for it to be harmful to our residents or the rest of the region. We felt like there was a better solution that could have been reached not only for Frick and Rainbow, but the other agricultural communities. And I think that was the discussion that needed to be had a long time ago. Unfortunately, things just got too far down the road with both entities kind of entrenched in their own positions. And so we are where we are.

Jack Bebee (37:25):

Yeah. And, and, and just to be clear, this is where I think things become a little bit of a challenge too, because, you know, Nick in his role is hearing certain information. And so for example, you heard it's a 5%, you know, immediate rate, rate increase, and that's what Nick's been told. But, but it's not. So, you know, LKO studied it and said, all right, here's your relative rate impact. And they brought in a, a independent economist to look at the numbers and they said, all right, you know, here's your impact. It's, the net impact ends up being about 12 and a half million dollars a year to, to put it in context, you know, I think we're projecting to buy about 3000 acre feet or 4,000 acre feet next year. Like I said, we have our local supply project that's like 1% of their demands.

Jack Bebee (38:11):

And so the in, in our positions from the beginning, so just to be clear too, is in the beginning of this, we met with the city of San Diego and we said, Hey, we're going down this road, here's the solution. And it had to deal with, deal with the supply mix, right? So if we leave, you don't need this water for us, you're paying a premium for it, start this conversation. You know, here's the solution, right? Because what we're doing right, is saying, all right, we're gonna go and buy our water from someone else that has an economic impact on the water authority if they do nothing. But that same impact happens when the city of San Diego builds their Pure water facility. So they're gonna shift about half their demand off the water authority.

Jack Bebee (38:51):

Now, they'll still be part of the water authority, and, and they're saying, Hey, don't worry, we're not gonna leave you with this whole thing. But looking at the politics already of the last rain increase of people saying, well, hey, what's going on 20% over two years, it's gonna be very hard for them to pick up that additional cost and not roll that cost off the water. It just, the pol in, in my vision of the future. I just, no matter how, you know, good a job Nick does there, how strong a message he sends. I mean, even the last vote, there was a lot of councilmen that go, we're not buying this. Now, if they go there and go, Hey, we're also gonna pay a little more. 'cause We're trying to keep rates down for these other entities. So the, the pressure point really is left with the only place that can react is the, is the San Diego County Water Authority looking at their supply mix.

Jack Bebee (39:37):

Because otherwise we're just trying to move costs around to different entities. And the problem when you, when you're a Fallbrook, you know, where we're used to towards, you know, in this process, the city of San Diego didn't control it, right? Which they usually control processes. We're used to that. We don't control anything, right? And so we know whatever's gonna come down in the future, you know, we were gonna be at the whims of, you know, the city of San Diego. And that maybe isn't the best position for us to be in, given where everything's going now. You know, there's discussions now, and I'm, I'm hopeful that, you know, with Nick and some of the new leadership, they're really gonna focus in, and maybe, you know, maybe that'll change, but the trajectory that things were on when we started, you know, wasn't that we weren't talking about offloading supplies. We were talking about building our own pipeline to the Colorado River. We were making more investments. So, you know, there has been a, a, a transition, I think, at least from that, of we're gonna keep building to recognizing we've gotta make some changes.

Nick Serrano (40:33):

Yeah. And I think part of the, you know, to the, to the water rate increase, specifically with regard to the laco action and detachment, because of that uncertainty, that speaks exactly why the city continues to believe that this isn't the right solution to the problem. You know, I mean, we, so the truth is, is that until the detachment happens, you don't know how it's going to affect people's water rates. You don't know what the impact is going to be to the member agencies. You, you had a report that was done by LAFCo, right? That was commissioned by, you know, an, an economist and appreciate that and all that being done. That's also LAFCo is not the arbiter of the, the, the information that the Water Authority has, right? The water authority is the people who are going to have the impact. And so I think that was where, look, let's not put everybody in jeopardy of being like, well, we don't know what the number is.

Nick Serrano ([41:24](#)):

It could be a dollar, \$2, could be \$5, could be 18. We're not quite sure. This guy says this Water authority says this. All of that adds into this is not the right solution for a region. It's not a regional solution. And again, add in the fact that we have other ag communities that are going to need some kind of attention like this going forward. And I'm committed to doing that with regard to Pure Water. I've been clear since day one that I got there. I've been asking, how is the authority gonna plan for Pure Water? It's not in the cities of San Diego's interest to basically stick it to the rest of the rate payers in the region. 'cause Again, that's not a regional solution either. And so I've asked the authority to continually put pen to paper to show us how are you planning for this?

Nick Serrano ([42:07](#)):

'Cause Now it's not just us at the city, it's Oceanside, it's East County. And so we have to plan for that future, and we need to have pen to paper to make that happen. And again, that's where I go back to where I began. Detachment is a distraction. It is a symptom of a much larger problem that we have in San Diego County. And so, you know, with regard to whatever happens in, in, in, in, at the end of the day with detachment you know, I think the authority has to take that as a very clear sign of what we need to look into be mindful of. Because again, we still have agricultural communities in the city, in, in San Diego County outside of Fallbrook and Rainbow, and they need our help. And so we should respond accordingly.

Jack Bebee ([42:51](#)):

Yeah. And, and, and I think the thing we agree on is D Detachment was a distraction, right? I mean, and, and what I mean by that is it's not the most pressing issue facing the San Diego County Water Authority. The laws of Fallbrook Public Utility District and Rainbow Municipal Water District. You know, our, our demands are headed in one direction and they've been declining substantially. So the, you know, this economic impact of like, well, it's gonna recover well, it's, it's, it's just not, you know, it, that's not the trajectory that you've got for those. So I think it, it's a distraction that it's preventing from dealing with really those bigger fundamental issues that the Water Authority is gonna have to deal with. You know, I, I tend to tend to agree with that assessment. The other thing though, I think when you talk about, you know, there's a lot of ag outside of Fallbrook and Rainbow, the unique thing is that that gets lost sometimes is Fallbrook and Rainbow is built around avocados for a reason, right? And avocados are water intensive. And a lot of the rest of the ag in, in San Diego County is not necessarily so water intensive. And people say, well, that's fine, convert then. Right? That's easy. Convert Fallbrook and Rainbow to something that's not avocados. But then those people haven't been to Fallbrook and Rainbow, because the reason it worked in fall brick and rainbow is it's grown on steep, well drained hillsides.

Jack Bebee ([44:07](#)):

You don't build a greenhouse on a steep, well drained hillside. You don't grow a lot on a steep, well drained hillside, but you can grow avocados. So the challenge, and you'll see it out there right now, where people are going, man, property values, I can't for property anyway. Well, that's not the case in a lot of Fallbrook, right? Because this property that had high value is avocado. Now people are going, well, what is the value of it? And so it, it's in a very different place where Fallbrook was in a position where we, we can't wait for the water authority to resolve these issues. We needed to take action sooner because this is an immediate problem. And 10 years from now, the, it's too late.

Andrea Lopez-Villafañã ([44:44](#)):

Gonna jump in. Quick audience questions since we're going to wrap up soon. Should the water authority even be setting rates? Maybe we need the state to step in. <Laugh>, what are your thoughts?

Jack Bebee ([44:56](#)):

Lemme start off the state and see <laugh>.

Nick Serrano ([45:02](#)):

You know, I, I, I think it's of, you know, I, I think there is a, I guess I'll take it the question this way, I, there is a value to the region to have the San Diego County Water Authority in existence. And I think it would be you know, I, I think, I don't think it's anything that necessarily requires state involvement. What I do think is it requires people who are at the table who are willing to engage in the conversations that need to be had in a productive way. And that's what I've tried to bring to the authority, is a willingness to collaborate, keep in mind, as a regional government body, is the whole notion of regionalism, right? You've heard it. 38 member board of directors, right? And while, you know, I know there's some people who wanna talk about the vote share that the city of San Diego has or what have you.

Nick Serrano ([45:57](#)):

The idea is just like every other regional body in this region, sandag, M t s Airport Authority, just like all of those bodies, it is the notion that you're supposed to work together on these critical issues that benefit the entire region. And I think there has to be a willingness to engage in that in a more meaningful way. And a willingness to have the hard conversations that we do need to have. I'm game to do that. I know that there's a lot of people who are game to do that. Again, the detachment is just a symptom of a much larger problem. But what we really need is collaboration amongst all of us, recognizing what it is that we're talking about. We're talking about water, probably the most precious resource that we have. And so it's not something that I think we can you know, always be entrenched in our own interests.

Jack Bebee ([46:48](#)):

Yeah. And, and you know, the thing I'd add to that is, is the state in a way is now involved because the state basically formed these

Nick Serrano ([46:55](#)):

Thing called

Jack Bebee ([46:56](#)):

Lafco. You know, and LAFCo is sort of the referee of special districts, right? So they're out there

Nick Serrano ([47:01](#)):

And

Jack Bebee ([47:01](#)):

Every five years they're supposed to do a review and basically say, are you operating in the best interest of the public? Right? That's kind of their role. Are you being efficient? And they haven't done one yet for the water authority and out of the detachment process. You know, one of the things that LabCorp realized is we need to take a look at this, right? There's a lot of issues there. Are they getting addressed? Are there issues that aren't getting addressed by the nature of a, you know, governing board and sort of the inner tie of water and politics and all that, that are just too entrenched to get done with. So, you know, the state in some ways will be kind of taking a look at the water authority as part of what's called a municipal spear review, which will probably highlight, Hey, here's some issues that you know, need to get dealt with and, and give some different perspectives. So, and you know, if it doesn't get fixed, then the state ends up, you know, really getting involved. But ho setting water rates, I hope we don't end up in a position where the state tells us how to settle all our water rates. I don't think that'll work well.

Andrea Lopez-Villafañá ([47:55](#)):

Well, if you got anything from this panel, go to the San Diego County

Speaker 1 ([48:00](#)):

Water Authority Board meetings and lab meetings. I mean, Jack and I are there, so there's that. I did a little later. I right now, if you need to fix, so I know that while Pure Waters outside the water, every agency commit, either buy water or pay a certain amount. So when I vote, I'm understanding, no, we voted, we against right now costs 4,000 to the way it worked by the time we got. Yeah. Yeah. There's different perspectives. Thank you. And I definitely rematch. Rematch. I like that. Shout out best, everybody. You, you were gonna get That's, I think I might might email the coordinator. Yeah. It's so crazy. We went to the game and.