

Rainbow Planning Group

Advising the Board of Supervisors ~ San Diego County

Mr. Don McDougal, Board President
Director Milt Davies, Vice President
Mr. Bert Hayden, Director
Mr. Al Gebhart, Director
Mr. Charley Wolk, Director

Fallbrook Public Utility District
PO Box 2290
Fallbrook, CA 92088-2290

Gentlemen:

The community of Rainbow is very concerned with the proposed "hostile takeover" of the Rainbow Municipal Water District (RMWD) by the Fallbrook Public Utilities District (FPUD). While there may be some projected savings that could accrue to all ratepayers, this type of merger process could have some potentially serious unintended consequences. It seems that your position is non-negotiable on two key factors and that is unacceptable to our community. Specifically they are:

1. Governance: Board elected by at large elections vs. District elections
2. Financial accountability: RMWD Ordinance 95-1

FPUD may have been organized eighty years ago through a legislative action which prescribes an at-large vote, but this runs completely counter to our democratic process of elections. It may have been applicable to the rural areas of the State at the time of adoption, but today Fallbrook and Rainbow are totally different demographically and economically. The United States of America is based on a representative form of government, elected by geographical areas such as counties, states, districts, Electoral College, etc. If Rainbow was forced to go to at-large elections consider the following:

- FPUD has approximately 35,000 registered voters, mostly residential, while RMWD has approximately 13,000, mostly rural. The predictable result of an at-large election for Rainbow is onerous at best. The entire board could easily be elected from one street in Fallbrook. Logically, this not a democratic process that provides for equal representation to all voters and is undoubtedly illegal as described under the California Voting Rights Act.

Many large municipalities such as Anaheim, Santa Barbara, Modesto, etc, have been challenged in court regarding their at-large elections and have lost. The cost has been millions of dollars in attorney fees paid by the citizens of those communities. We are all aware of the challenge that MALDEF has presented to FPUD. Can Fallbrook afford to take up the legal challenge and do so at ratepayer's expense, without any ratepayer input? Common sense tells us that at-large elections could be discriminatory.

Add to that the possible abandonment of RMWD's Ordinance 95-1 (ratepayer's right to vote on debt) and any taxpayer/ratepayer protection we may have would be stripped. Just imagine if Prop 13 was stripped from the California voter. This is a serious matter centered on the removal of our voting rights.

4805 5th Street #155, Rainbow CA 92028

Rainbow Planning Group

Advising the Board of Supervisors ~ San Diego County

This forced merger could result in unilaterally stripping away our right to vote for fair representation as well as our right to vote on debt. Ordinance 95-1 has provided the necessary stewardship resulting in RWMD being in a far stronger financial position than FPUD. This is supported by the fact that FPUD's liabilities are over two and one half times greater than RMWD's and RMWD's net assets are nearly twenty five percent greater than FPUD's. Extinguish 95-1 and this important ratepayer benefit would disappear. Perhaps it would make more sense for RMWD to absorb FPUD.

The Rainbow community believes that any decision LAFCO makes for or against the FPUD proposed merger of RMWD is a potential "train wreck" waiting to happen. There could be litigation either way, expensive and long term, involving FPUD, RMWD and LAFCO. Ratepayers on both sides, as well as County taxpayers will have to bear the burden. Any small synergistic savings that might result from such a merger will be forever lost to attorney's fees. This is a LOSE/LOSE situation for the citizens of our community. This potential disaster can still be avoided. We urge you to drop the hostile takeover bid and rejoin RMWD in a permanent joint operating agreement. At this point it may seem that RMWD and FPUD have many irreconcilable differences. A hostile forced merger will only solidify these differences and will take years to rectify, if it can be done at all.

These two different entities could partner once again in a JPA for savings to all ratepayers. No litigation. End of drama and expense. WIN/WIN.

Sincerely,



Gary Drake, Chairman
Rainbow Community Planning Group

Clell "Bud" Swanson
Mark DiVecchio
Juanita Pearce

John Barrett
Paul Georgantas
Bill Crocker

Dennis Sanford
Fred Rasp
Dr. Martin Kurland

Jerri Arganda
Ron Trotter

CC: Bill Horn
Dennis Sanford
Mike Ott