The Inside Scoop



October 15th, 2026

Dear Poway Resident,

This is Peter De Hoff, the District 3 City Council Representative. This monthly-ish newsletter is one way I increase transparency in local governance by keeping constituents posted on some of what's happening in your city government. With the election coming up and some wider issues to discuss, I've expanded distribution across the city. If you'd like to stick around on the email list, please let me know.

This issue covers some good news on the business front, a $1.7 million surprise for our sewer fund (plus a refresher on water and sewer rates), and an update on protecting open space on Boulder Mountain.

New Businesses Brewing on Poway Road



Businesses keep choosing Poway, and it's not hard to see why. We run a tight ship, our taxes are the lowest in the region, and people like the Poway experience. Black Rock Coffee is moving into the old KFC spot, and Firehouse Subs is opening right next to Aldi.

I'll admit I'm looking forward to that second one more than I probably should. I stopped by their booth at the Poway Fall Festival a couple of weeks ago, and they're as excited to be here as I am to have them.

There's good news down the road at the Fairfield project, just east of Carriage Road. It was one of the first mixed-use buildings on Poway Road, and for a long time it had two storefronts with nothing in them. Empty windows don't make for a vibrant corridor, which is the whole point of the Poway Road Specific Plan.

About a year ago, when it looked like that goal was slipping, the City Council negotiated some significant commitments from the property owners and they're starting to pay off. A Pilates studio has signed on the dotted line, and that's drawn new interest from a coffee shop and a pretty significant sit-down restaurant. One tenant tends to bring the next. With a little luck, this is where the commercial side of mixed-use finally starts to look like what the residents on the Planning Commission had in mind when they wrote the Specific Plan.

And with all the coffee shops opening around town, nobody's going to sleep through the turnaround.

Good News from the Other End of the Pipe



Now for some more good news. Poway is getting a $1.7 million payout from the City of San Diego, which treats our sewer flows. Our local system is so well run that when the numbers were audited, the money was due back to us. That unexpected windfall is more than 15% of our sewer fund's annual operating expenses.

I saw this one coming because, as Poway's representative, I serve as Vice Chair of the Metro Wastewater Joint Powers Authority, the oversight board for the regional sewer system the City of San Diego runs. It also oversees the Pure Water Program, a big piece of the region's long-term water resiliency, but its primary job is making sure every agency in the system pays its fair share, and no more. As a board, we've moved millions of dollars in costs off our sewer bills and onto San Diego's water budget, where they belonged. I also chair the Finance Committee, which gives me a sneak peek at what's coming down the pipe.

The money will go into reserves, and the council and staff will decide how to divvy it up. Speed up capital improvement projects? Extend the run without a sewer rate increase from three years to four? Drastically raise council salaries? (Just kidding.) Bank it as a cushion against rate volatility? It's a good position to be in to be able to have those conversations.

As much as I'd love to take credit for this (it certainly wouldn't hurt my re-election chances 😊), that credit belongs to others. First, to our Public Works staff, who run our system better than any other agency in the region. Second, because this audit covers only the very start of my term, and these things take a while to come to fruition, to the councils before me who gave Public Works the oversight and room to do the job right: Councilmembers Dave Grosch, John Mullin, Caylin Frank, and Barry Leonard, with Mayor Steve Vaus in the lead. We're all drawing from the well that they dug.

You may hear this mentioned briefly at the October 20th council meeting, with a fuller discussion of the backstory to follow at a later meeting. It's a genuinely interesting story, with a bit of intrigue.

A Quick Refresher on Rates

Windfalls like that don't happen by accident. They come from careful management and long-range planning, the same kind of planning that went into setting our water and sewer rates for the next five years at the start of this year. Rates have come up a few times this election season, so this seems like a good time for a refresher on what actually drives them, to help keep misinformation from further muddying the waters.

Fixed costs vs. variable costs

Every water system has two kinds of costs. Fixed costs keep the system running whether you turn on the tap or not: maintaining pipes, running pumps, keeping the treatment plant staffed. Variable costs depend on how much water is delivered: buying raw water and treating it so it's safe to drink.

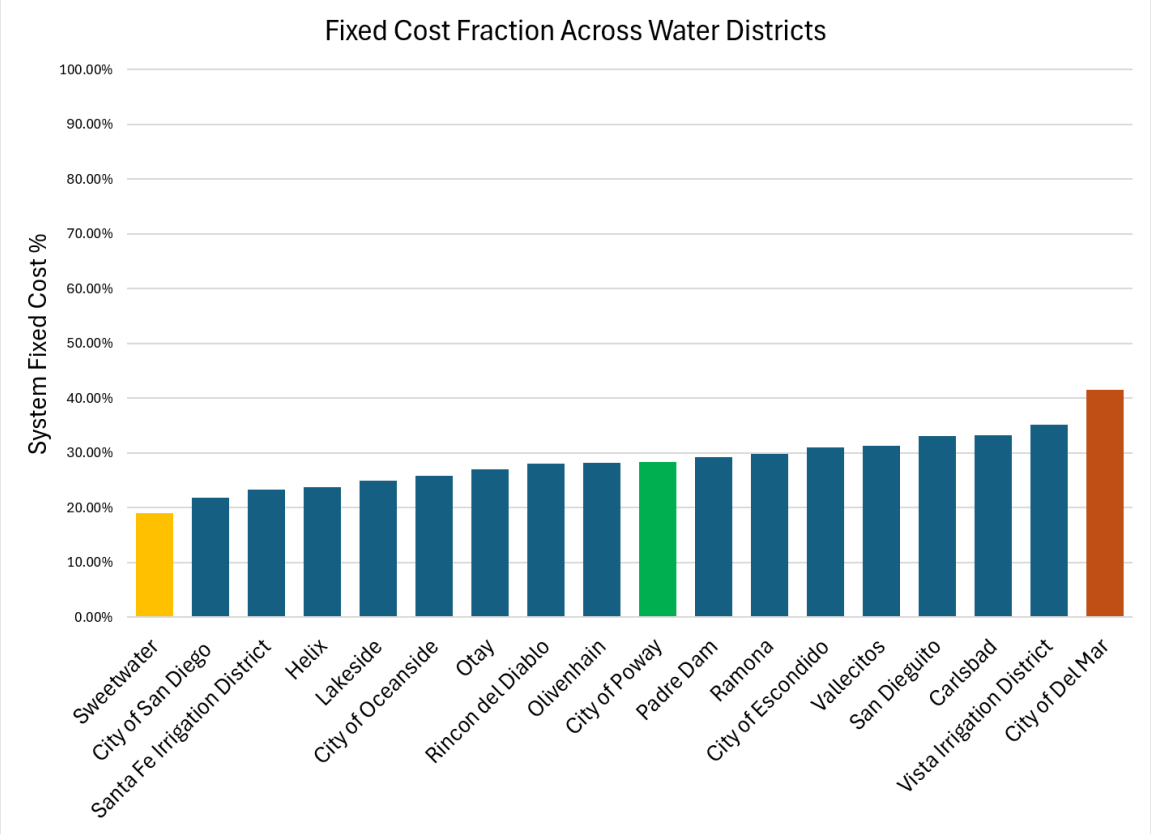
Like nearly every water agency, Poway splits your bill to match. A fixed monthly charge covers part of the system's costs (28.3% of those costs in Poway), and the rest is covered by the variable rate for each unit of water you use.

That fixed fraction (28.3%) also drives our bond rating. Rating agencies want to see steady revenue, and nothing is steadier than a fixed charge. A higher fixed fraction helps earn a better rating, a better rating lowers what we pay to borrow for big capital projects, and cheaper borrowing keeps your overall bill down. Poway currently holds an AA– rating.

The catch is that it shows up in the pocketbook: A higher fixed fraction may lower the variable charge, but it lands hardest on the people who use the least water. Good rate setting means striking a balance that holds water: enough fixed revenue to act as ballast and keep the system and our rating steady, but not so much that it sinks the folks who barely turn on the tap.

How Poway compares

During our last rate-setting process, I read through the water and sewer rate studies for every local agency to see how Poway fares. As the chart below shows, our fixed fraction lands a little below the average and right at the median. The lowest agency sits at 19%, the highest just under 42%.



One telling detail: Sweetwater, the agency with the lowest fixed fraction, is also raising it the fastest, racing toward the median as quickly as it can. Reading their rate study, I could

practically see their finance manager sweating over how exposed their system is when a drought or a wet winter makes water sales dry up.

Why the messaging matters

The fixed fraction is only part of the bond-rating picture because ratings aren't set by math alone. These agencies explicitly judge whether a utility's leaders make prudent rate decisions or politically expedient ones, and they pay attention when that leadership changes.

"Let's lower water rates" is a popular and effective campaign slogan, but it's often the first step for water systems that end up in serious financial and structural trouble. When Tony Blain ran on "lowering water rates," it raised red flags for me, and I challenged him on it. After his election, S&P revised the outlook on Poway's water bonds to negative. While I doubt his election was the only reason, rating agencies don't reward uncertainty at the top. Either way, it was a warning shot across the bow for anyone whose job it is to pay attention.

In some ways, the first rule of Fight Club applies to water rates during election season: you don't talk about water rates. (Which is why I was reluctant to write this article in the first place.)

Flat vs. tiered rates

The other rate question that keeps coming up this season is why Poway doesn't use tiered rates. Under Prop 218, a water agency can charge only what it actually costs to provide the service, and it has to spread that cost fairly. Someone who uses a small amount of water shouldn't have to pay for the extra capacity built to serve the heaviest users. Tiered rates are one of several tools agencies use to balance that responsibility.

Poway had to move to flat rates because of two court cases that struck down tiered rates and apply directly to us: Coziahr v. Otay Water District and Patz v. City of San Diego. They cost Otay about $12 million and San Diego about $40 million in settlements, plus legal fees. That's a lot of ratepayer money down the drain.

A third case, Dreher v. LADWP, has been referenced during this election, but its support for tiered rates doesn't apply to us. While it upheld Los Angeles's tiered rates, it struck down LA's low-income discount, since that discount was an unconstitutional subsidy paid by other customers. LA's tiers rested largely on the fact that it buys water from several sources at different prices and assigns the most expensive supplies to the higher tiers. Importantly, Poway buys its water from a single source at a single price, so that tiered approach doesn't work here. And with Dreher now under review by the California Supreme Court, its decision isn't binding precedent for anyone yet.

One piece that hasn't come up in the campaign yet is AB 2180, a bill that grew out of the Dreher decision and appears designed to allow tiered rates in certain circumstances. The Governor signed it into law in September. Depending on how the Supreme Court rules on Dreher, that law could be reshaped too. It's a mess for now, but it should be sorted out by 2031, which is about when Poway will need to redo its rate structure anyway.

In the meantime, Poway handles fairness the way most agencies do, through Equivalent Dwelling Units (EDUs) and meter-size ratios, which reflect how much system capacity each customer actually ties up. I think that gets us to real fairness, and importantly, it fully complies with Prop 218. That said, I also think a well-designed tiered structure layered on top has real potential, both to match costs to usage more closely and to put the water fund on steadier footing.

But wading into the middle of an unsettled legal fight would be a poor use of ratepayer money. The better move is to let the legal dust settle, then set the lowest responsible rates that are fair to everyone.

Until then, the best thing we can do for ratepayers is what earned that $1.7 million in the first place: run the system well.

Upcoming: Gaining Ground on Boulder Mountain



On October 20th, the City Council will consider finalizing the purchase of 34 acres on top of Boulder Mountain. I've been working with the property's representatives and other interested parties for more than a year, though at times it felt like a lot longer. It's been an uphill climb, and there were days I thought the whole deal was going to fall off a cliff. But a lot of folks kept pushing it forward, and together we're now within sight of the summit.

I've said it before in this newsletter and also from the dais: since Sacramento began gutting local land use control in 2017, the surest way to protect our open space and trails is for the city to buy the land and to set it aside for good. This parcel is a keystone piece and a prime example of what protecting our hillsides actually looks like. Once it's in the city's hands, the top of the mountain and its slopes will stay just as they are today for our kids and grandkids, and the only things that will ever break ground up there will be the wildflowers.

Getting here meant laying a lot of groundwork and surveying options with my fellow councilmembers and city staff, and Mayor Vaus deserves special credit for championing the effort and helping keep it moving through roadblocks. The most prominent policy shift came in changing how the city values open space, so we can better compete on the open market. In short, we can now weigh land for what it's worth to the community, not just against a much narrower set of development standards.

I'm glad to see this coming together. If you'd like to see where this lands, tune in on October 20th.

Get your sign before it's too late!



Many thanks to everyone who has contributed to my reelection effort for the District 3 City Council seat. I'm grateful for the support.

I've been out knocking doors and meeting with folks in small groups, and a number of you have asked for yard signs. If you'd like to join them and show your support for keeping Poway on the right path, let me know and I'll get one out to you in a spot that works for your property. Contact me at peter@peter4poway.com. Producing signs and walk pieces takes real resources, so if you're able to help support that effort, please click the contribute button below.

Endorsed by the Poway Firefighters Association and the San Diego County Deputy Sheriffs' Association.

My ask of you: Ballots are already in mailboxes. If you live in District 3 (not sure? look it up here), please vote and return yours by Tuesday, November 3rd. Wherever you live, please spread the word to friends and neighbors in District 3, and, if you're able, make a contribution today. Every yard sign, walk piece, and mailer that reaches doors in District 3 depends on people like you stepping up.

Can I count on you?

CONTRIBUTE

https://www.efundraisingconnections.com/c/DeHoffforPowayCityCouncil

Either way, thank you for reading, for caring about this city, and for being the reason Poway stays Poway.

I want to hear from you about what interests you most to see in future newsletters.
Your input will help shape future updates.

Thank you for taking the time to stay informed and engaged. Together, we can continue making Poway a great place to live.

Sincerely,

Peter De Hoff

Poway District 3 City Council Representative

SPAM filter blocking this newsletter? Email me for back issues.
Want to add someone to the list? Let me know their contact information.
Question or concern regarding governance issues in Poway? Email me at pdehoff@poway.org
Any other question: Email me at peter@peter4poway.com
Don't want to get this newsletter anymore? Reply "unsubscribe" and I'll remove your email.

Paid for by De Hoff for Poway City Council District 3, 2026
FPPC #: 1492464