San Diego County
Local Agency Formation Commission
Regional Service Planning | Subdivision of the State of California

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AGENDA REPORT
Business | Discussion

July 17, 2026

TO: Special Districts Advisory Committee

FROM: Michaela Peters, Analyst II
Meghan Traynor, Analyst I

SUBJECT: **Final Report on State Planning Grant | Helping Bridge the Economic Gap of Small-Scale Farming (SALC 2.0)**

SUMMARY

The Special Districts Advisory Committee (Committee) will receive the final report for the Sustainable Agricultural Lands Conservation (SALC) 2.0 Planning Grant, prepared by LAFCO in collaboration with the County of San Diego's Planning & Development Services (PDS). The report provides a framework to support the long-term viability of small-scale agriculture in San Diego County, synthesizing the project's technical analyses, stakeholder input, and implementation strategies. Its findings sharpen and quantify a familiar concern: the region's small farms remain viable but operate on thin margins – averaging roughly 13% – and are readily vulnerable to changes in water and labor costs, with water affordability emerging as the most influential factor. At its June 15, 2026 meeting, the Commission formally received and filed the report and considered options for implementing certain recommendations. Consistent with Recommendation No. 1 and at the Executive Officer's suggestion, it further directed staff to work with stakeholders on a scope of work for an agricultural water working group focused on affordable supply for the greater Escondido region – a near-term step toward the broader Regional Agricultural Water Advisory Committee contemplated in the report – for Commission consideration as early as its August 3, 2026 meeting. The item is presented to the Committee for discussion and feedback.

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BACKGROUND

Sustainable Agricultural Lands Conservation Program

The SALC program was created in 2014 as a component of the California Strategic Growth Council and administered by the Department of Conservation. It is funded primarily through California Climate Investments – the statewide program that directs cap-and-trade auction proceeds toward reducing greenhouse gas emissions – and supports both agricultural conservation easement acquisitions and planning grants. The principal goals of SALC are to:

- Protect at-risk agricultural lands from sprawl, promote infill growth within existing jurisdictions, maintain open space, and support a healthy agricultural economy.

- Further the purpose of Assembly Bill 32 by avoiding increases in greenhouse gas emissions associated with conversion of agricultural lands to higher-emission uses.

Grant Application and Approval | San Diego LAFCO and County of San Diego PDS

Building upon findings from SALC 1.0 – which identified the need for commodity-specific market analyses to better understand future agricultural opportunities and constraints – San Diego LAFCO, in partnership with PDS, submitted a SALC planning grant application in September 2022.[1] The proposal sought to quantify and evaluate economic challenges facing local agricultural producers, particularly small-scale farms, and identify opportunities for public policy interventions to strengthen long-term agricultural viability. Following Commission authorization and subsequent approval by the California Department of Conservation, LAFCO was awarded a two-year planning grant in the full amount of $500,000, with project implementation commencing in June 2023.[2]

San Diego LAFCO subsequently partnered with Agricultural Impact Associates and Rick Engineering, working collaboratively with PDS. The grant was organized around six primary tasks and deliverables: Grant Management; Market Analysis; Gap Analysis; Outreach & Education; Strategic Action Plan; and Final Report (*Cultivating Solutions*).

DISCUSSION

The Committee will receive the final report for SALC 2.0 (*Cultivating Solutions*), marking completion of the planning grant. The report synthesizes the project's market and gap analyses, stakeholder engagement, and Strategic Action Plan into a single framework for supporting the long-term viability of agriculture in San Diego County.

1 The SALC 1.0 Final Report is provided for context as Attachment Three.

2 San Diego LAFCO and PDS signed a Memorandum of Understanding (MOU) in August 2023 following the Commission's approval of a draft MOU at its August 7, 2023 meeting. The MOU formalized roles and responsibilities in proceeding with SALC 2.0 and designated specific tasks to San Diego LAFCO and PDS. The grant was originally scheduled through September 2025 and has since been amended to reach completion by June 2026.

The report is premised on the recognition that protecting farmland and maintaining profitable farming operations are fundamentally linked. Accordingly, it evaluates whether small-scale agriculture in San Diego County remains economically viable under varying conditions and at what operating margins. The analysis is anchored by a countywide market assessment of key indicators – including the number of farms, acreage in production, operating expenses, and earnings – using recent USDA Census of Agriculture data, the San Diego County Crop Report, and operating data provided by local producers. A complementary gap analysis examines profitability at the individual farm level by modeling four representative crops – avocados, lemons, strawberries, and tomatoes – and evaluating how changes in water costs, labor expenses, market prices, and crop yields affect financial performance. A more detailed discussion of the report's analytical approach and findings, organized by project task, is provided in the Final Report (Attachment One).

Based on these findings, the report identifies several recommendations to support the long-term viability of the region's agricultural sector, including the following three:

1. Coordinate with regional partners to explore establishment of a Regional Agricultural Water Advisory Committee to address water affordability and water-use efficiency.

2. Expand consideration of agricultural economic conditions and contributions in Municipal Service Reviews and other planning activities, where appropriate.

3. Support implementation of the Strategic Action Plan through the development of an implementation strategy and periodic progress reporting, including reporting to the Commission and its Committees.

At its June 15, 2026 meeting, the Commission received and filed the final report and considered options for implementing certain recommendations. In connection with Recommendation No. 1, and at the suggestion of the Executive Officer, the Commission directed staff to work with stakeholders to develop a scope of work to establish and moderate an agricultural water working group focused on affordable water supply for the greater Escondido region, for the Commission's future consideration.

ANALYSIS

See Attachment One.

RECOMMENDATION

This item is presented to the Committee for discussion and feedback only.

ALTERNATIVES FOR ACTION

None.

PROCEDURES

This item has been placed on the Committee's agenda for discussion as part of the business calendar. The following procedures are recommended in consideration of this item:

1) Receive verbal presentation from staff unless waived.
2) Discuss item and provide feedback as requested.

On behalf of staff,

Michaela Peters
Local Government Analyst II

Attachments:

1) Final Report: "Cultivating Solutions" (Online only)
2) Strategic Action Plan (SAP) (Online only)
3) SALC 1.0: Final Report (Online only)
4) SALC 2.0: Market Analysis (Online only)
5) SALC 2.0 Gap Analysis (Online only)
6) Correspondence/SALC Recommendation – Edward Grangetto

Appendix A

The SALC 2.0 grant produced four primary work products that collectively informed the project's recommendations. The Market Analysis established baseline economic conditions affecting agriculture in San Diego County, the Gap Analysis evaluated crop-level profitability, the Strategic Action Plan identified potential implementation strategies, and the Final Report integrated these findings into a single framework intended to support long-term agricultural sustainability.

Supporting these efforts were project management and stakeholder engagement activities, including grant administration, consultant coordination, and outreach to agricultural producers, partner agencies, and other interested parties. While these activities did not result in technical reports, they provided the administrative and public engagement foundation necessary to complete the project's analytical and planning components.

A brief summary of key tasks follows.

Task 2 | Market Analysis

The Market Analysis evaluated countywide agricultural trends, economic conditions, and cost pressures affecting producers. Key findings follow.

1. **Trends:** San Diego County is currently losing an average of 18 acres of farmland per day and one farm approximately every three and one-half days.

2. **Expenses:** Analysis of 4,031 farms identified property taxes as the most common expense and labor as the largest operating cost, averaging $283,334 per farm in 2022. Most farm expenses increased faster than inflation over the preceding 20 years, particularly fertilizer, chemicals, and labor.

3. **Profits:** Financial data provided by local producers showed significant fluctuations in operating profit over time, with average margins of approximately 13% in 2022 – below the 25% threshold commonly cited as indicative of long-term financial health.

The Market Analysis established the baseline economic conditions affecting agriculture in San Diego County and provided the empirical foundation for subsequent phases of the SALC 2.0 project. Findings highlighted the scale of agricultural land conversion, increasing cost pressures, and profitability concerns affecting the long-term viability of farming operations.

The full report (Market Analysis) is provided as Attachment Four.

Task 3 | Gap Analysis

The Gap Analysis examined profitability challenges associated with four targeted crops — strawberries, lemons, tomatoes, and avocados.[3] Key findings include:

- Profitability varied significantly among the four crops evaluated.
- Under modeled 2022 conditions, avocados, lemons, and tomatoes generated positive net returns, while strawberries generated negative returns.[4]
- Profitability was found to be highly sensitive to water costs, labor expenses, market prices, and crop yields, with water affordability emerging as a particularly significant factor affecting agricultural viability.

These findings informed development of the Strategic Action Plan and Final Report.[5] The analysis also demonstrated that relatively small changes in water costs, labor expenses, market prices, and crop yields could significantly affect profitability outcomes, underscoring the importance of addressing agricultural affordability and operational resilience.

The project also produced the Agricultural Profitability Assessment Tool (AG-PAT), an Excel-based model that allows users to evaluate farm-level profitability under varying cost, yield, and market scenarios. The tool is publicly available on San Diego LAFCO's website.

The full report (Gap Analysis) is provided as Attachment Five.

Task 5 | Strategic Action Plan

The Strategic Action Plan served as a foundational component of the broader Final Report and translated the findings of the Market Analysis and Gap Analysis into implementation-oriented strategies. Developed through extensive stakeholder engagement, including the Forum for Cultivating Solutions and coordination with agricultural partners and public agencies, the Strategic Action Plan identified a series of flexible "Tools" and "Field Actions" intended to support agricultural sustainability in San Diego County, and organized around four long-term goals, or "Seeds":

1. Improve infrastructure and systems supporting local producers;
2. Grow consumer awareness and local market demand;
3. Cultivate a supportive policy environment; and
4. Foster regional alignment and agricultural advocacy.

[3] The four crops were selected based on stakeholder input received through project workshops, surveys, interviews, and other outreach activities, and were identified as commodities warranting focused analysis due to their economic significance and/or unique production challenges within San Diego County.

[4] Crop-specific findings showed avocados were highly sensitive to water costs, yield variability, and price fluctuations; lemons faced price volatility despite relatively stable production costs; strawberries achieved high gross revenues but operated with narrow margins due to labor and market pressures; and tomatoes were constrained by labor intensity, price competition, and limited economies of scale.

[5] Complementing these technical analyses, stakeholder engagement activities — including workshops, public review periods, interviews, and coordination with producers, partner organizations, public agencies, and underserved agricultural communities – helped validate findings, identify implementation priorities, and inform the development of the Strategic Action Plan and Final Report.

Collectively, the Strategic Action Plan established an implementation framework consisting of policy, programmatic, partnership, and educational strategies intended to support agricultural sustainability and guide future action by public agencies, agricultural organizations, and other stakeholders.

Task 6 | Final Report ("Cultivating Solutions")

The Final Report, titled *Cultivating Solutions*, represents the culminating deliverable of the SALC 2.0 grant and integrates the project's technical analyses, stakeholder engagement findings, implementation strategies, and supporting tools into a single framework for advancing agricultural sustainability in San Diego County. In addition to consolidating prior work products, the report identifies implementation priorities, a pilot project concept focused on agricultural water affordability and efficiency, opportunities for continued regional collaboration, and performance measures intended to support ongoing implementation and monitoring efforts. Among its recommendations are three areas in which San Diego LAFCO may have a potential future role:

1. Coordinate with regional partners to establish a Regional Agricultural Water Advisory Committee to evaluate the impacts of state and local water policies on agriculture and identify opportunities to improve agricultural water affordability and efficiency;

2. Expand consideration of agricultural economics within local planning efforts, including Municipal Service Reviews, to better recognize and communicate the contributions of the region's agricultural industry; and,

3. Develop an implementation strategy and provide annual progress reports to the Commission and stakeholders regarding the status of Strategic Action Plan recommendations.

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Edward Grangetto

Chat 1 White Paper Establishing the City of Escondido as the Demonstration Model 6.7.2026

WHITE PAPER

Establishing the City of Escondido as the Demonstration Model for Agricultural Water Resilience and Farmland Preservation in San Diego County

Prepared for:

San Diego County Local Agency Formation Commission (LAFCO)

Supporting Implementation of the SALC 2.0 Strategic Action Plan

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Executive Summary

The Sustainable Agricultural Lands Conservation (SALC 2.0) initiative seeks practical, scalable solutions that address one of the greatest threats facing San Diego County agriculture: the widening economic gap confronting small-scale and family-owned farming operations.

No challenge is more immediate than the cost and availability of irrigation water.

The City of Escondido has already demonstrated leadership through its recycled water program serving local avocado growers and agricultural operations. As agricultural producers throughout San Diego County face increasing imported water costs, prolonged drought pressures, climate uncertainty, and development pressures, Escondido offers a unique opportunity to become a countywide demonstration project for agricultural resilience.

This white paper recommends that the SALC 2.0 Final Report designate the City of Escondido as a "Working Model for Agricultural Water Resilience and Preservation" and establish a formal collaborative framework among:

- San Diego LAFCO
- County of San Diego Planning & Development Services
- City of Escondido
- Escondido Growers for Agricultural Preservation (EGAP)
- Local agricultural producers
- Regional water agencies

The purpose of this collaboration would be to immediately implement a replicable framework that integrates recycled water, agricultural preservation, economic sustainability, and farmland protection into a single operational model that can be adapted throughout San Diego County.

Why Escondido Is the Ideal Demonstration Community

1. Existing Agricultural Water Infrastructure

Unlike many communities that would require substantial capital investment before implementation could begin, Escondido already possesses:

- Existing recycled water production capabilities
- Established distribution infrastructure
- Agricultural customers currently utilizing recycled water
- Operational experience serving avocado production
- Municipal commitment to water sustainability

As a result, Escondido can move from planning to implementation faster than any other jurisdiction in San Diego County.

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2. Direct Connection Between Water Affordability and Farmland Preservation

The SALC 2.0 process recognizes that farmland preservation cannot occur without economically viable farming.

For many avocado growers:

- Water is the single largest operating expense.
- Escalating water costs force acreage reductions.
- Agricultural lands become vulnerable to conversion.
- Generational farming operations become economically unsustainable.

Lower-cost recycled water provides one of the few immediately available tools capable of improving farm economics without requiring significant public subsidy.

Protecting agriculture therefore requires protecting affordable agricultural water supplies.

3. Alignment with State Climate and Sustainability Objectives

Expanding agricultural recycled water use advances multiple statewide priorities:

- Water reuse
- Drought resilience
- Groundwater sustainability
- Climate adaptation
- Reduction of imported water dependence
- Agricultural preservation
- Sustainable land-use planning

The proposed Escondido model directly supports the goals of the Sustainable Agricultural Lands Conservation Program and demonstrates measurable climate benefits.

Recommended New SALC 2.0 Strategic Action

Cultivating Solutions Recommendation

Establish the Escondido Agricultural Resource Stewardship & Reuse Partnership (EASRP)

SALC 2.0 should recommend creation of a formal implementation partnership that transforms Escondido into a countywide demonstration model for agricultural water resilience.

The partnership would include:

San Diego LAFCO

Role:

- Regional coordination
- Policy oversight
- Replication strategy development
- Performance monitoring
- Annual reporting

County of San Diego

Role:

- Agricultural preservation planning
- Land-use coordination
- Grant support
- Integration into regional agricultural initiatives

City of Escondido

Role:

- Recycled water program administration
- Infrastructure planning
- Agricultural water delivery
- Demonstration project implementation

Escondido Growers for Agricultural Preservation (EGAP)

Role:

- Local grower representation
- Program oversight
- Performance review
- Stakeholder engagement
- Grower recruitment and participation

Agricultural Producers

Role:

- Participation
- Water-use reporting
- Agricultural viability monitoring
- Best-practice implementation

Immediate Implementation Opportunity

Integrate SALC 2.0 Recommendations into the Escondido Agricultural Recycled Water Plan

The City of Escondido can immediately become the first jurisdiction in San Diego County to incorporate SALC 2.0 recommendations into a municipal agricultural water management framework.

Recommended actions include:

Action 1

Expand agricultural recycled water enrollment opportunities.

Action 2

Identify priority agricultural preservation zones.

Action 3

Develop long-term agricultural water reliability targets.

Action 4

Establish agricultural sustainability performance metrics.

Action 5

Create annual reporting mechanisms documenting:

- Acres preserved
- Water delivered
- Farm participation
- Economic impacts
- Climate benefits

Proposition 218 Considerations

A critical implementation opportunity exists through appropriately structured recycled water rate policies.

Existing legal analyses have demonstrated that Proposition 218 does not prohibit differential recycled water rates when those rates are properly supported and consistent with cost-of-service principles.

Consequently, Escondido has an opportunity to evaluate agricultural recycled water pricing strategies that:

- Improve participation
- Increase agricultural competitiveness
- Encourage long-term agricultural retention
- Support regional sustainability objectives

Such approaches should be evaluated through appropriate legal, engineering, and financial review processes.

This represents one of the most significant opportunities available to strengthen agricultural viability without requiring ongoing public subsidy.

Measuring Success

The Escondido model should establish measurable outcomes over a five-year period.

Suggested performance indicators include:

Agricultural Outcomes

- Agricultural acreage retained
- Avocado acreage preserved
- Number of participating growers
- Reduction in agricultural land conversion pressure

Water Outcomes

- Recycled water utilization
- Reduction in imported water dependency
- Water supply reliability improvements

Economic Outcomes

- Farm operating cost reductions
- Agricultural revenue retention
- Local agricultural employment support

Climate Outcomes

- Water reuse expansion
- Drought resilience improvements
- Sustainable resource management metrics

Replication Framework for San Diego County

The ultimate value of the Escondido initiative extends beyond city boundaries.

The demonstration project would create a framework that could be adapted by:

- Fallbrook
- Valley Center
- Rainbow
- Bonsall
- Pauma Valley
- San Pasqual Valley
- Other agricultural communities throughout San Diego County

The result would be a practical roadmap for connecting recycled water resources with agricultural preservation objectives on a regional scale.

Why Escondido Should Be the SALC 2.0 "Poster Child"

Escondido represents the rare convergence of:

- Existing recycled water infrastructure
- Active agricultural production
- Strong avocado industry presence
- Immediate implementation capability
- Measurable outcomes
- Replication potential
- Alignment with State SALC goals
- Regional leadership opportunity

Most importantly, Escondido offers the ability to move beyond planning and demonstrate results.

While many agricultural preservation strategies require years of study and significant new funding, the Escondido model can begin implementation immediately using existing infrastructure, existing agricultural partnerships, and existing community support.

For this reason, the SALC 2.0 Final Report should formally recognize the City of Escondido as San Diego County's pilot demonstration community for agricultural recycled water innovation, agricultural economic resilience, and long-term farmland preservation.

Conclusion

SALC 2.0 seeks actionable solutions capable of narrowing the economic gap facing small-scale agriculture.

Affordable and reliable irrigation water is the single most important factor affecting the future viability of agriculture in San Diego County.

Escondido has already established the foundation necessary to demonstrate a practical solution.

By creating the Escondido Agricultural Resource Stewardship & Reuse Partnership and integrating SALC 2.0 recommendations into the City's Agricultural Recycled Water Plan, San Diego County can establish a replicable model that protects agriculture, strengthens farm economics, advances climate goals, and preserves working landscapes for future generations.

The recommendation is straightforward:

Designate Escondido as the SALC 2.0 Demonstration Community and utilize its recycled agricultural water program as the countywide model for agricultural resilience and preservation.

This draft is written at a policy-board level. Once you provide the actual SALC 2.0 report language and the three supporting Escondido reports, I can strengthen it considerably by incorporating their findings, economic data, Proposition 218 legal analysis, water cost comparisons, acreage preservation metrics, and specific implementation recommendations so it reads as an official companion white paper for the LAFCO Board rather than a conceptual framework.