

## Vallecitos Water District Customers to Pay \$35.3 Million More to Subsidize Developers

September 29, 2019

The Vallecitos Water District (VWD) Board of Directors held their public meetings on developer fees (called Capital Facility or Cap Fees) on August 7 and August 29. They listened to concerns from ratepayers that the proposed Cap Fees were insufficient to cover developer obligations and pay back ratepayers for past developer subsidies. They listened to concerns from developers that the proposed fees were too high and unfair. They showed the public how tough they were going to be on developers, making sure they pay their share.

Last Friday, the [October 2<sup>nd</sup> Board meeting agenda](#) was posted on VWD's website indicating the Board will adopt developer fees that, compared to fees proposed in August, are ... lower, much lower.

The water fee dropped 4%. The sewer fee dropped 22%. No supporting documentation or explanation for the decrease in fees were provided. The Sewer fee that will be adopted by the Board this coming Wednesday is only about half the amount needed to cover developer obligations and pay back ratepayers within five years.

This Board has been consistent with its lack of transparency. They presented the proposed rates in private meetings with the Building Industry Association (BIA) and developers in February. The proposed rates were not made public until August.

The only disclosure made in regards to ratepayers is in the October 2<sup>nd</sup> staff report on the proposed rates indicating "Cap Fees should have no fiscal impact to ratepayers." [VWD's adopted budget](#) projects a developer fund deficit, paid by ratepayers, of \$7.6 million in five years. They used Cap Fee assumptions of \$10,165 for water and \$19,256 for sewer, while the rates adopted will be \$7,896 and \$12,986, respectively. The developer fund deficit adjusted for the lower Cap Fees is \$21.4 million. Furthermore, the projection includes an arbitrary \$28 million in debt proceeds, even though VWD has expressed and demonstrated its intentions to use ratepayer money, instead of debt proceeds, for developer obligations not covered by developer fees. The adjusted projected developer deficit in five years is \$49.4 million. That's an increase of \$35.3 million over the current \$14.1 million deficit. This will be paid by ratepayers – a fiscal impact not disclosed by VWD.

Through a Public Records Act Request, [FVC](#) Co-Founder and Former VWD CFO, Tom Scaglione, obtained the spreadsheet which calculates Cap Fees that were proposed privately to the BIA back in February. Mr. Scaglione, who created the rate model in 2011 which is used by VWD today, reviewed the rate calculation, found errors and inequities, corrected the amounts, and presented findings in a [May 28 letter to VWD](#). The letter was never responded to.

	February	May	August	October
	Present to BIA	Corrected	Presented to Public	Adopted
Water	\$ 8,994	\$ 12,025	\$ 8,254	\$ 7,896
Sewer	\$ 18,523	\$ 23,773	\$ 16,570	\$ 12,986

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The Friendship of Vallecitos Customers (FVC), a group of Vallecitos Water District (VWD) customers, potential political candidates, past board members, and community leaders, formed to have a unified voice to influence the VWD Board of Directors (the Board) to maintain a ratepayer focus. Since the 2012 elections, the development community has had majority control of the Board. Developer influence and financial mismanagement have resulted in ratepayers paying \$54 million towards developer obligations. Ratepayers have not had either the will or ability to financially contribute, and therefore win favor, to the extent that developers have financially contributed to the Board. Visit [friendshipvallecitoswater.org](http://friendshipvallecitoswater.org)