

Sat, Apr 17, 10:03 PM

## Educational release follow up

Hello FVC Members and Friends,

I probably should have named these releases something more provocative than "Educational Series." I did get some good feedback, but I am hoping I can entice more readership. Please read them and email me your questions. Thank you.

[Release 1](#)

[Release 2](#)

Regarding the table of recommended reserve policy revisions in the second release, I have included, at the end of this email, VWD's current policy provisions in that same format for easy comparison. If you read the second release and check out the comparison below, you will readily see that we are needlessly paying too much for water - just simply revising the reserve policy will save customers significantly. We have been overpaying for too long.

Suggestion to our FVC Members on the Board - please present these releases to your General Manager and the other Board Members and ask "what in these releases are not true?" Give me the opportunity to respond. I can provide support for all assertions made. And please reach out to me with questions so you fully understand the releases. Thank you for your attention and focus on ratepayer equity.

Thank you,  
tom

Tom Scaglione, FVC Co-founder  
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Summary of current reserve policy provisions:

<u>Reserve</u>	<u>Funding Source</u>	<u>Allowable Uses</u>	<u>Min Balance</u>	<u>Max Balance</u>
Operating	Transfers from rate stabilization funds, capital replacement reserves, budgeted surplus possibly from increased rates	[Not addressed]	0	180 days budgeted operating expenses less water purchases
Capital Replacement	Transfers from rate stabilization funds, budgeted surplus possibly from increased rates	[Not addressed]	Next 3 years of projected system replacement cost (net additions increased by monthly CCI to present value times 3.226% for water and 6.25% for sewer for each year)	Next 10 years of projected system replacement cost for water, 8 years for sewer, calculated the same per year as for the minimum balance
Rate Stabilization	Amounts accumulated in replacement reserves in excess of limits	Restore reserves to their maximum limits and, only after reserve limits are restored, lower rates	0	[Not addressed]
Employee Benefit Obligation (OPEB only)	Transfers from rate stabilization funds, capital replacement reserves, budgeted surplus possibly from increased rates	Eliminate required recorded OPEB obligation	[Not addressed]	[Not addressed]
Capacity (restricted)	[Not included in policy]			
Project Fund (restricted)	[Not included in policy]			
Bona Fide Debt Service Fund (restricted)	[Not included in policy]			
Replacement Fund (restricted)	[Not included in policy]			

Summary of recommended reserve policy provisions:

<u>Reserve</u>	<u>Funding Source</u>	<u>Allowable Uses</u>	<u>Min Balance</u>	<u>Max Balance</u>
Operating	Net operating income, investment earnings on the balance	Unbudgeted and unexpected operating expenses/losses	Specific balance equal to six months of budgeted operating expenses less the cost of water purchases	
Capital Replacement	Water and sewer revenue, non-operating revenue, reimbursement from debt proceeds related to replacement CIP, investment earnings on the balance	Replacement of District assets, replacement-related debt service, acquisition of assets that do not increase system capacity, restore operating reserve specific balance	First year budgeted replacement CIP	Five-year budgeted replacement CIP
Rate Stabilization	Water, sewer, and miscellaneous operating revenue, investment earnings on the balance	Increased operating costs and unbudgeted and unexpected operating expenses/losses to avoid rate spikes	0	Current year budgeted water sales
Employee Benefit Obligation	Water, sewer, and miscellaneous operating revenue, investment earnings on the balance	Prefund employee benefit obligations, e.g., OPEB and pension	0	Actuarially determined unfunded liability
Capacity (restricted)	Capital facility fee revenue, reimbursement from debt proceeds related to growth CIP, investment earnings on the balance	Acquisition of assets that increase system capacity (growth assets), debt service on financing of growth assets	Actual balance reported pursuant to the Mitigation Fee Act	
Project Fund (restricted)	Debt proceeds, investment earnings on the balance	Reimbursement for project construction costs	Actual balance	
Bona Fide Debt Service Fund (restricted)	Initially with debt proceeds, subsequently with revenues equal to annual debt service	Debt service	Must be depleted to 0 each year	Annual debt service
Replacement Fund (restricted)	Debt proceeds	Debt service in the event VWD is unable to make required payments	0	Lessor of 10% of the issue principal, max annual debt service, or 125% of annual average debt service