

June 3, 2021

Vallecitos Water District continues to favor developers at ratepayers' expense

Hello FVC Members and Friends,

Last Wednesday, the Vallecitos **Board approved continued urban development subsidies** from ratepayer money (customers' water and sewer rates). The Board adopted a budget showing that over a five-year period water-related developer obligations will exceed water capital facility fee revenue. Sewer-related developer obligations will require ratepayer subsidies as well unless the \$20 million in debt projected for 2025 and 2026 is actually issued – no guarantee there as evidenced by the recent fight required to get VWD to issue debt this year (yet to be seen).

Developer fees (known as Capital Facility Fees) adopted in January last year are not sufficient to cover developer obligations (assets needed to accommodate new customers and the debt service on financed growth assets). The basis for the Capital Facility Fees (Cap Fees) is the Master Plan and Cap Fee Study. Vallecitos' Master Plan (originally entitled the "2014 Master Plan" because that was the year it commenced) is based on data from 2007 through 2014 and was scheduled to be completed in 2015. Completion of the Master Plan was delayed along with the Cap Fee Study, which is based on the Master Plan. Much needed **Cap Fee increases that should have been adopted in 2015, did not take effect until 2020. No provision was made for the revenue from developers lost from the delay.**

The Master Plan and Cap Fee Study assumed the new Cap Fees would be effective in 2015 (or 16) and new customers (development) would provide Cap Fee revenue of \$93.6 million from 2015 through 2020. Actual Cap Fee revenue for that same time period was \$39.9 million – **a \$53.7 million shortfall that will be picked up from ratepayers (through higher water rates) unless Vallecitos prepares a new Master Plan and Cap Fee Study to adjust Cap Fees.**

Industry best practices suggest a new Master Plan or Master Plan Update every five years. Vallecitos should have started a new Master Plan (or Update) two years ago. They just now adopted a budget with **no plans for a new or updated Master Plan and no plans for a Cap Fee Study for at least ten years.**

At this week's Vallecitos Board Meeting a ratepayer commented:

"The budget being considered does not include a provision for a new Master Plan or Cap Fee Study - not even in the future projects page. The current Master Plan and Cap Fee study are based on data now more than a decade old. It may be comforting for developers to know that they have a deficient Cap Fee locked in for infinity, but it is not fair for ratepayers who will continue to subsidize development, especially because of the inappropriate incremental cost method being used to calculate the rate. In other words, developers are not required to buy-in to the system – ever – unless cap fees are recalculated under an appropriate method. Please consider adding a Master Plan and Cap Fee Study in 2021/22."

Staff responded that "the Master Plan was based on 2014 information and that the assumptions/foundation had not changed, so no need for new plan or study."

The lack of a required buy-in component of the Cap Fee is in addition to deficiencies causing the need for subsidies. Please read [FVC Educational Series Release 4, Capital Facility Fee – Buy-In Component](#) to see how Vallecitos' gross disregard for their fiduciary responsibilities to customers cost us over \$15 million. The most egregious oversight is not including a buy-in component – that is a benefit to developers and a direct hit to ratepayers.

**CALL TO ACTION:**

Send in comments to the Vallecitos Board via <https://www.vwd.org/departments/board-of-directors/meetings-minutes>

And demand a Buy-In component be added to the Cap Fee immediately and a new master Plan and Cap Fee Study be commenced promptly.

I know this is technical stuff, but unless we take the time to get educated and voice our concerns, developer interests that have dominated this Board will continue to drive our water rates higher.

Please email me your questions, concerns, and requests for further information. And please forward this email to all ratepayers you know and encourage them to [join the FVC](#).

Thank you,  
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Tom Scaglione, FVC Co-founder  
Friendship of Vallecitos Customers  
*We pay for water, not politics*  
[friendshipvallecitoswater.org](http://friendshipvallecitoswater.org)

Get Educated:

[Release 1, Introduction and the Deficit](#)

[Release 2, Reserves](#)

[Release 3, Debt](#)