Valley Center Municipal Water District

Long Range Financial Strategy

FY 2020-2021 to FY 2024-2025

November, 2019

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I. Introduction

As was previously discussed in the "Valley Center Municipal Water District Cost and Revenue Structure Description and Policy Issues Analysis, July 2019" report ("Cost and Revenue Structure"), Calendar Years 2019 and 2020 are pivotal years for Valley Center Municipal Water District (District).

In early 2019, the Board adopted the ***"Water Master Plan, January 2019"*** which identified the District's capital improvement requirements of some $78 million over a twenty year period. This action was followed by the Board's review of the above referenced "Cost and Revenue Structure" analysis which addressed certain rate policy changes needed to support the capital improvement replacement financial requirements going forward. In response to recommendations in that report, in September 2019 the Board adopted a policy directing that the District's water rates and charges, which includes the District's Local Commodity Charge and Monthly Meter Service Charge, would be set so that revenue from these sources would fully cover the District's Local Operating Costs, which exclude wholesale water costs and power costs. With the Local Operating Costs met by Local Operating Revenue, the District Ad Valorem Property Tax and Water Availability / Standby Charges, along with "Other Revenue" could be dedicated to supporting implementation of the Updated Water Master Plan. The Board also adopted a policy directing that up to 60% of Local Operating Costs should be funded by the Monthly Meter Service Charges.

With this as background, it is the purpose of this **Long Range Financial Strategy** to set forth possible rate and charge actions which would be needed to support a possible financial approach to implementation of the $24.2 million in capital improvements over the next five fiscal years, starting with rates effective January 1, 2020. What will be considered to meet this approach would be to adjust water rates and charges on an annual basis to be able to:

1. Offset wholesale water cost increases from MWD and the SDCWA;

2. Offset any increases in Local Operating Costs; and

3. Incrementally increase the Valley Center MWD Commodity Rate and Monthly Meter Service Charges to have those two revenue sources cover all Local Operating Costs, which is not currently the case.

4. Dedicate all Ad Valorem Property Tax and Water Availability – Standby Charge Revenue and appropriate "Other Revenue" to support the direct cash or leveraged debt to implement funding for the first five years of the Capital Improvement Program outlined in the January 2019, Water Master Plan.

Long Range Financial Strategy - 2019 versus 2005

As was learned with the **2005 Long Range Financial Plan**, developing a detailed financial blueprint based upon specific assumptions about future events, most of which are outside the District's control, resulted in a plan being rendered almost irrelevant within a year or two after its adoption.

Shortly after the 2005 Plan was adopted, the California housing market slowed and DR Horton, developer of Orchard Run, pulled out of the state entirely, the Great Recession began, and then Judge Oliver Wanger ordered State Water Project flow reductions to protect the Delta Smelt which resulted in a water supply reduction of 30% to the District's commercial agricultural customers.

Needless to say, the rather ambitious Capital Improvement Program adopted in the 2002 Water Master Plan and envisioned for implementation in the **2005 Long Range Financial Plan**, was largely set aside. The District went into a spending reduction mode, started reducing staff, five of which were achieved by lay-off, and many CIP projects were shelved.

With this experience in mind, the **2019 Long Range Financial Strategy** is very much less specific and ambitious than was the earlier plan. It covers only the first five year period of the 20-year program outlined in the updated **2019 Water Master Plan**. Further, rather than creating a detailed step by step plan, it identifies a possible financing approach on how the CIP investment outlined in the first five years of a 20-year program might be achieved. It identifies the financial assets and elements to be utilized in the strategy, as well as the recommended rate and charge actions needed to support the implementation. In other words, rather than adopting a very specific plan which will undoubtedly be outstripped and outmoded by events and the passage of time, what is proposed is to adopt a living framework or strategy which could be implemented over the next five years, leaving room for flexibility in its structure, components, and future implementing actions by the Board of Directors.

II. Local Operations and Maintenance Costs

Locally Controlled O&M costs reflect labor, benefits, materials, vehicle and equipment maintenance, state regulatory license fees, and outside professional services for a given fiscal period based upon administrative, operational and maintenance needs (less those funded by Pump Zone Charge revenues). As discussed in the appended "VCMWD Cost and Revenue Structure Description and Policy Issues Analysis, July 2019," these costs are viewed as "fixed" in that they are incurred irrespective of how much water is delivered in a given year. These costs will increase over time with general inflation, CPI, salary and benefit increases, number of service connections, customers and O&M needs of an aging water system.

III. MWD/SDCWA Wholesale Costs

"MWD/SDCWA Wholesale" Commodity Rate - Except for the SDCWA IAC Charge (see below), MWD/SDCWA Wholesale are the following costs which are recovered by a per-Hundred Cubic Foot (HCF – 748 gallons) unit Wholesale Commodity Charge to each retail customer. This MWD/SDCWA Wholesale Commodity Charge for purchased water reflects the rates and charges set by the Metropolitan Water District (MWD) and the SDCWA. Wholesale costs are made up of a per - Acre Foot (AF) Wholesale Commodity Cost plus a per unit Fixed Priced Charge spread over the amount of wholesale water reliably estimated to be purchased from the SDCWA in a given fiscal year.

Wholesale costs from MWD / SDCWA include:

Fixed Charges from MWD and SDCWA:

- **MWD Readiness to Serve Charge** – Allocation of MWD costs assigned to a fixed charge.
- **MWD Capacity Reservation Charge** – Capacity Allocation in the MWD system.
- **Customer Service Charge** – Admin, Conservation, Support Programs.
- **SDCWA Supply Reliability Charge** – Portion of the investment in Seawater Desalination Facility.
- **SDCWA Storage Charge** – Emergency Storage and Carry-over Storage.

SDCWA IAC - The SDCWA also imposes a fixed Infrastructure Access Charge (IAC) which is based on meter size and appears on the retail customer's monthly bill.

IV. Local Revenue Sources

The District has the following Local Revenue Sources:

Valley Center MWD Commodity Charge – In addition to the MWD/SDCWA Wholesale commodity portion of the water rate, the District adds the Valley Center MWD commodity charge which is set with the goal of covering, along with the Monthly Meter Service Charge Revenue, 100% of the District Local Operating Costs as defined above.

With the Valley Center MWD and MWD / SDCWA included, the overall commodity rate is as follows:

Municipal & Industrial	**HCF**	**A/F**
MWD/SDCWA Wholesale	$4.3238	$1883.45
Valley Center MWD	$0.5335	$232.39
Total	**$4.8573**	**$2115.84**

TSAWR*	**HCF**	**A/F**
MWD/SDCWA Wholesale	**$**3.0299	$1319.83
Valley Center MWD	$0.5335*	$232.39
Total	**$3.5634**	**$1552.22**

*TSAWR – Transitional Special Agricultural Water Rate provided to qualified Commercial Agricultural accounts in exchange for lower level service reliability.

Monthly Meter Service Charges – By adopted Board Policy found in Administrative Code Section 50.2, (f) it is the goal of the District to have 60% of the Locally Controlled Operations and Maintenance costs funded by the revenue from the Monthly Meter Service Charges.

As discussed in the appended "Cost and Revenue Structure Report," the current Monthly Meter Service Charges are based upon AWWA relative meter flow capacity and consideration of overall revenue contribution by meter size class. The Fire Service Meter Charge represents the incremental cost of supporting the separate Fire Meter. both charges are collected on the monthly water bills are as follows:

Meter Size	Meter Service Charge	Fire Meter Service Charge
¾"	$39.93	$8.75
1"	$54.55	$12.25
1-1/2"	$81.83	–
2"	$109.10	–
3"	$163.65	–

Pumping Rates – Pumping Rates reflect the anticipated purchased power costs from SDG&E (net of solar generation) and the specific local operations and maintenance costs associated with the pumping system. These revenues are collected through a per-Hundred Cubic Foot (HCF / 748 Gallons) unit Pumping Rate which is based upon the relative elevations in 10 Pump Zones from "0" Pump Zone, no charge, to Pump Zone 10. The pump system and solar system operations, maintenance and replacement costs are also recovered through the Pumping Rate and currently represent 33% of the Pumping Rate.

Additional Sources of District Revenue – Beyond the three revenue sources discussed above, the District has several "non-operating" revenue sources, which include:

•**Ad Valorem Property Tax** – For FY 2019-2020, the District budgeted for $2,496,000 in Ad Valorem Property Taxes. The amount received includes the current secured, current unsecured, prior unsecured, and Homeowners PTR. Increases (or decreases) in the annual Ad Valorem Property Tax Revenue are based upon changes in the Assessed Valuation of properties in the District Service Area.

•**Water Availability - Standby Charges** – The Municipal Water District Act (Ca Water Code, Division 20) allows the District to levy an annual $10/acre, $10/parcel Water Standby/Water Availability Charge on the lands within the District. This levy generates $582,000 in net revenue. It has been the practice of the District to utilize these Water Availability/Standby Charge revenues for CIP expenditures.

Backflow Testing and Repair Revenue – This revenue is used to offset the direct labor, equipment, and administrative costs associated with the annual testing and making needed repairs to the backflow devices used to protect the public health and safety from potential back-syphonage into the distribution system due to sudden water system pressure loss or pressure surge from the customer side of the meter connection. For FY 2019-2020, these revenues were budgeted at $191,000.

•**"Other Revenues"** – For the FY 2019-2020 Budget, "Other Revenues" include funds from a number of sources: Investment Income; Delinquency Penalties/ Reconnection Fees; Communications Leases; Backflow Device Testing and Repair; Sale of Surplus Equipment and eight other miscellaneous categories filling out the balance of the

$1,486,350 in anticipated "Other Revenue" for FY 2019-2020. These revenues are combined with other Water General Fund revenues, with any annual surplus rolled over into the reserve categories as per the District's Reserve Policy (Admin. Code, Article 50).

V. Achieving the New Rate Policy Goals

As stated above, the central component to this Long Range Financial Strategy would be achieving two rate policies recently adopted by the Board. The focus of these two policies is to ensure that the District's Local Operational Revenues fully meet the District's annual Local Operational Costs. Achieving this policy goal incrementally over the next five fiscal years would then allow the District's Ad Valorem Property Tax, Water Standby-Availability and Other Revenue to be fully committed to supporting the District's **Updated Water Master Plan** implementation.

Those core policy goals are:

Local Revenues Fully Fund Local Operating Costs - The first policy simply holds that the District's Local Revenues, i.e., the Valley Center MWD Commodity Rate and the Monthly Meter Service Charges shall generate sufficient revenues to fully fund the District's Local Operating Costs (Total Operating Costs, less Purchased Wholesale Water and Power) in any given fiscal year.

Monthly Meter Service Charges Shall Fund 60% of Local Operating Costs – A sub-policy is that it is a policy goal that the Monthly Meter Service Charges shall fund up to 60% of the District's Local Operating Costs. This policy was adopted to increase revenue stability in an environment of declining M&I and agricultural water demand.

Implementation – In order to achieve these goals, it should be recognized that annually, the District will need to consider raising its Local Revenue Components sufficiently to:

1. Offset any Wholesale Water and Power Cost Increases;

2. Offset any increases in Local Operational Costs; and

3. Adjust rates incrementally above these two factors to increase Local Revenues sufficiently to fully fund Local Operating Costs, enabling the District to commit the Ad Valorem Property Tax, Standby / availability Charge and Other Revenue to support implementation of the Updated Water Master Plan.

VI. Rate and Charge Projection Analysis

Development of the Long Range Financial Strategy involves a revenue and cost projection analysis over the period covered by the strategy; in this case FY 2021-2022 through FY 2024-2025. The projection analysis from the base fiscal period, which is FY

2019-2020, requires making certain assumptions about future revenue and cost sources. For the analysis which follows, the following assumptions have been used:

Revenue Source Assumptions:

- **Water Deliveries** – Based upon recent downward trends in demand, offset by anticipated growth in demand through new metered service connections, annual water sales were conservatively projected to 18,000 acre feet per year for 2021-2022 through 2024-2025;

- **Domestic versus TSAWR Water Usage** – Based upon usage data over the last three years, and input from the commercial agricultural community, it is estimated to be 33% Domestic and 67% TSAWR for 2020-2021 through 2024-2025

- **Growth In Meters** – Based on information from the development community operating within the District Service Area and the professional judgment of the District's engineering professional, Meters for Municipal and Industrial were assumed to grow yearly by an average of 3.2% due to new development projects within the District. The total number of new meters anticipated to be added total 1,317 over the next five years. Certified Agricultural/Domestic, Certified Agricultural, and construction meters remained constant with no growth.

- **Meter Service Charges for 2020** - While the FY 2019-2020 Budget was adopted with no increase to the Monthly Meter Service Charges, a final determination was left open until the completion of the Long Range Financial Strategy analysis. It is now recommended that these charges be increased by 4.6% to be effective in February 2020 and that assumption was included in the projection analysis.

- **MWD /SDCWA Wholesale and Valley Center MWD Commodity Rate Increases for 2020** – Wholesale rate increases adopted by the SDCWA Board of Directors in June, 2019 resulted in a 3.1% increase for M&I and 4.1% for TSAWR customers effective January 1, 2020 and are included in the projection analysis.

- **Valley Center MWD Commodity and Meter Service Charge Increases for FY 2020-21 through 2024-25** – In order to achieve the new rate policy goals stated above, the District's Local Commodity Charge would have to be increased by an average of 4.5% (ranging from 3.6% and 5.7%) over the next five years and the Monthly Meter Service Charge be increased by an average 4.6% for FY 2020-21 through 2024-25. These increases, along with the additional assumptions stated below, would meet the goal of having the Local Revenues (Valley Center MWD Commodity Charge and

Monthly Meter Service Charge). It would also meet the goal of having the Monthly Meter Service Charge funding 60% of the Local Operating Costs. Meeting these goals would free up the Ad Valorem Property Tax, Water Availability – Standby Charge and Other Revenue could be utilized to fund for the District's Water Capital Improvement Program.

- **Meter Installation Revenue** – Assumed to increase by an average of 4.0% annually.

Cost Increase Assumptions:

- **Local Operating Expenses** – Assumed to increase an average of 3.0% annually;

- **SDCWA Wholesale Water Costs** – Assumed to increase an average of 3.0% annually, based upon rate projections provided by the SDCWA;

- **Power Costs** – Assumed to increase an average of 5.0% annually based on projections provided by SDG&E.

Long Range Rate and Charge Projection Analysis - With the FY 2019-2020 budget as the baseline, and using the Revenue and Cost assumptions outlined above, the following rate and charge projection over the next five fiscal years was developed:

Local Commodity and Monthly Meter Service Charge Coverage Analysis

Local Operating Expenses	Budget 2020	Projected 2021	Projected 2022	Projected 2023	Projected 2024	Projected 2025
Water Systems Operations	6,057,220	6,238,935	6,426,108	6,618,884	6,817,456	7,021,977
Engineering	1,586,710	1,634,310	1,683,340	1,733,840	1,785,850	1,839,430
General and Administrative	4,207,260	4,333,470	4,463,480	4,597,380	4,735,300	4,877,360
Total Local Operating Expenses	$ 11,851,190	$ 12,206,715	$ 12,572,928	$ 12,950,104	$ 13,338,606	$ 13,738,767
Meter Service Charges (less IAC Charge)	$ 5,777,000	$ 6,169,467	$ 6,628,657	$ 6,921,345	$ 7,692,414	$ 8,237,110
% of Operating Expenses	**48.7%**	**50.5%**	**52.7%**	**53.4%**	**57.7%**	**60.0%**
Valley Center MWD Commodity	$ 4,231,810	$ 4,412,310	$ 4,661,210	$ 4,927,140	$ 5,208,210	$ 5,505,220
Meter Service Charges (less IAC Charge)	$ 5,777,000	$ 6,169,467	$ 6,628,657	$ 6,921,345	$ 7,692,414	$ 8,237,110
Total Valley Center Commodity Charges & Meter Service Charges	$ 10,008,810	$ 10,581,777	$ 11,289,867	$ 11,848,485	$ 12,900,624	$ 13,742,330
% of Operating Expenses	**84.5%**	**86.7%**	**89.8%**	**91.5%**	**96.7%**	**100.0%**

In order to arrive at coverage these levels, the Valley Center MWD Commodity Charge and Meter Service Charges will have to increase annually as follows:

Overall Commodity Rate Impacts (Includes MWD/SDCWA Wholesale and Valley Center MWD Commodity)

Proposed Water Rates	Current 2019	Proposed 2020	Projected 2021	Projected 2022	Projected 2023	Projected 2024	Projected 2025
Domestic (HCF)							
MWD/SDCWA Wholesale	4.3238	4.4565	4.5902	4.7279	4.8697	5.0158	5.1663
VCMWD Commodity	0.5335	0.5527	0.5837	0.6170	0.6522	0.6894	0.7287
Total	4.8573	5.0092	5.1739	5.3449	5.5219	5.7052	5.8950
Percentage Increase		3.1%	3.3%	3.3%	3.3%	3.3%	3.3%
TSAWR (HCF)							
MWD/SDCWA Wholesale	3.0299	3.1571	3.2518	3.3494	3.4499	3.5534	3.6600
VCMWD Commodity	0.5335	0.5527	0.5837	0.6170	0.6522	0.6894	0.7287
Total	3.5634	3.7098	3.8355	3.9664	4.1021	4.2428	4.3887
Percentage Increase		4.1%	3.4%	3.4%	3.4%	3.4%	3.4%

Monthly Meter Service Charge Impacts

Meter Size	Current 2019	Proposed 2020	Projected 2021	Projected 2022	Projected 2023	Projected 2024	Projected 2025
3/4	39.93	41.77	43.69	45.70	47.80	50.00	52.35
1	54.55	57.06	59.68	62.43	65.30	68.30	71.51
1.5	81.83	85.59	89.52	93.65	97.95	102.45	107.27
2	109.10	114.12	119.36	124.86	130.60	136.60	143.02
3	163.65	171.18	179.04	187.29	195.90	204.90	214.53
4	218.20	228.24	238.72	249.72	261.20	273.20	286.04
6	327.30	342.36	358.08	374.58	391.80	409.80	429.06
8	436.40	456.48	477.44	499.44	522.40	546.40	572.08
Percentage Increase		4.6%	4.6%	4.6%	4.6%	4.6%	4.7%

Pumping Rates Impact

ZONE	Current 2019	Proposed 2020	Projected 2021	Projected 2022	Projected 2023	Projected 2024	Projected 2025
0	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
1	0.09500	0.10004	0.10504	0.11029	0.11580	0.12159	0.12767
2	0.18995	0.20002	0.21002	0.22052	0.23155	0.24313	0.25529
3	0.21073	0.22190	0.23300	0.24465	0.25688	0.26972	0.28321
4	0.31470	0.33138	0.34795	0.36535	0.38362	0.40280	0.42294
5	0.46158	0.48604	0.51034	0.53586	0.56265	0.59078	0.62032
6	0.51489	0.54218	0.56929	0.59775	0.62764	0.65902	0.69197
7	0.54603	0.57497	0.60372	0.63391	0.66561	0.69889	0.73383
8	0.61887	0.65167	0.68425	0.71846	0.75438	0.79210	0.83171
9	0.64100	0.67497	0.70872	0.74416	0.78137	0.82044	0.86146
10	0.84900	0.89400	0.93870	0.98564	1.03492	1.08667	1.14100
Percentage Increase		5.3%	5.0%	5.0%	5.0%	5.0%	5.0%

VII. Water Capital Improvement Alternative Funding Approaches

Presently, the entire CIP focus is on replacement of pipelines and refurbishing existing reservoirs and pump stations. In this era of diminishing water sales and the commodity revenue future uncertainty, cash preservation for the agency's financial stability has increased in importance. Central to the pursuit and securing of State of California State Revolving Fund (SRF) loans under the Safe Drinking Water Program has been the goal of preserving the District's cash assets. $4.2 million was secured for the Cool Valley Reservoir Cover Replacement Project. Currently, an application is in process for $9.6M in new Safe Drinking Water SRF funding for 11 pipeline replacement projects. SRF loans provide very low interest rates (@1.6%), 20-year amortization, and no issuance or underwriting costs.

2019 Water Master Plan - In early 2019, the Board adopted the updated "Water Master Plan." This document focused on identifying and prioritizing the CIP replacement, refurbishment and upgrading requirements for pipelines, reservoirs and pump stations over the next 20 years at an estimated total cost of $78M (in 2019 dollars) which is summarized in the table below. For the first five years of the program $24.2M in needed priority investments were identified, for an average investment of $4.8M each year. Meeting this pace of CIP investment for the first five years and beyond

will require a more deliberate approach to annual CIP funding than has been used in the past.

SUMMARY OF CIP PROJECTS									
	1	2	3	4	5	Subtotal 1-5	6-10	11-20	Total
Pipelines	$2,775,000	$3,895,000	$2,250,000	$2,780,000	$3,240,000	$14,940,000	$14,697,000	$25,408,000	$ 55,045,000
Reservoirs	$1,257,000	$1,669,000	$1,388,000	$1,946,000	$1,450,000	$ 7,710,000	$ 4,670,000	$ 8,693,000	$ 21,073,000
Pump Stations	$ 448,000	$ 130,000	$ 288,000	$ 370,000	$ 340,000	$ 1,576,000			$ 1,576,000
Total	$4,480,000	$5,694,000	$3,926,000	$5,096,000	$5,030,000	$24,226,000	$19,367,000	$34,101,000	$ 77,694,000

For this discussion, it is assumed that the District's annual Local Commodity Rate and Monthly Meter Service Charge revenues will be adjusted and maintained to meet the annual local operations related costs. If this is realized, then the annual Ad Valorem Property Tax and Water Availability / Standby revenues could be formally committed to funding annual CIP investment, either directly on a cash or "PayGo" basis, or leveraged to pay annual debt service on financed CIP. Current Ad Valorem Property Tax and Water Standby / Availability Charge revenue of $2.8 will not allow the District to meet the average annual CIP investment goal of $4.8 million and other sources of investment funding will be required.

In addition to the annual infusion of Ad Valorem Property Taxes and Water Standby / Availability Charges, the District does have existing cash reserves which can be used for the CIP, as follows:

CIP Reserves:

Capacity Charges Reserve	$858,000
Continuing Projects (included in the Updated CIP)	$3, 144,000
Unallocated Capital Improvement Reserve	$8,899,000
Total	$12,901,000

Alternative Funding Approaches

The annual known Ad Valorem Property Tax and Water Standby / Availability Revenue, combined with the existing CIP Reserves and the very real prospect of an influx of Meter Capacity Fees from the development currently underway, provides a range of CIP financing scenarios, from "All Cash PayGo Financing" through to "All Leverage Financing" to "Combination Leveraged and Cash Financing."

In brief form, here are those three scenarios:

1. All Cash "PayGo" Financing

This straight-forward approach would utilize the annual $2.8 million Ad Valorem Property Tax ($10.4 million over 5 years), combined with the existing $12.9 million in existing CIP Reserves, supplemented either by Meter Capacity Fees anticipated to be forthcoming, or "Other Revenue" freed up by having Local Operating Revenue covering all Local Operating Costs on an annual basis.

Pro-forma:

Ad Valorem, Water Standby / Availability Revenue – Five Years	$10.4 million
Existing CIP Reserves	$12.9 million
Sub-total	$23.3 million
Supplemental – Meter Capacity Fees / "Other Revenue"	$0.9 million
Total	$24.2 million

Advantages –

- "No Interest" cost financing.

Disadvantages –

- All CIP Reserves are essentially exhausted;
- Relies partially on Meter Capacity Fees anticipated but not realized;
- Inter-generational Equity Issues, i.e., current ratepayers financing improvements which will benefit future ratepayers.

2. All Leveraged Financing

This approach rests heavily on the availability of $24.2M in low interest rate California Safe Drinking Water State Revolving Fund Loans, which would use the uncommitted balance ($2.4 million) of the annual Ad Valorem Property Tax – Standby / Availability Charge revenue to secure the loans over the initial five year period.

Advantages –

- Low Cost Financing Assuming Use of SRF Funding;
- Preserves Cash Reserves for use in future phases of CIP implementation.

Disadvantages –

- Dependent on the availability of $24.2 million in low-interest rate SRF Funding from the state. (If SRF funding is limited or not available at all; an alternative, more expensive form of financing would have to be utilized, reducing the amount of funding which could be generated by leveraging the Ad Valorem Property Tax and Water Availability / Standby Charge revenue, requiring the use of additional cash reserves);

- All annual Ad Valorem Property Tax, Water Standby – Availability Revenue obligated for 20 years;

3. Combination Leveraged and Cash Financing.

This approach would use a combination of SRF Loan Financing, existing CIP Reserves, and anticipated Meter Capacity Fees. While the level of SRF Funding could be set at a range of coverage, the following pro-forma has it set at 40% based upon the pending exiting SRF Loan application.

Pro-forma

SRF Loan Funding at 40%, or 12.1 million	$9.6 million
Available Ad Valorem Property Tax, Water Standby – Availability Revenue ($1.2 million for five years = $6.0 million)	$6.0 million
CIP Reserves and /or Meter Capacity Fee Revenue	$8.6 million
Total	$24.2 million

Advantages –

- Leverages SRF funding with one-half of available annual Ad Valorem Property Tax and Water Standby /Availability Revenue, leaving one-half available for Cash – PayGo or future additional leveraged SRF funding;

- Leaves at least one-half the existing CIP Reserves available for future financing, possibly all depending on the availability of future Meter Capacity Revenue;

- Provides flexibility in meeting future CIP needs;

- Addresses the Inter-generational funding issue.

Disadvantages –

- Dependent on the availability of low-interest rate SRF Funding. (If SRF funding is limited or not available at all; alternative, more expensive forms of financing would have to be utilized, reducing the amount of funding which could be generated by

leveraging the Ad Valorem Property Tax and Water Availability / Standby Charge revenue, requiring the use of additional cash reserves);

- More expensive financing compared to "All Cash, PayGo."

VIII. Recommended CIP Funding Approach

Long Range Financial planning has been difficult for VCMWD for a number of reasons:

1. Given the nature of the service area, the extreme exposure to the impacts of drought and rain on water demand, and related revenues;

2. Concern over the long-term downward trend in commercial ag demand, especially now with the TSAWR potentially expiring at the end of 2020;

3. Determining the strength and resilience of growth and development trends; and

4. More recently, the concern over the availability of low interest rate SRF funding which allows maximum leveraging of the District's existing funding.

This range of uncertainties mitigates toward the **"Combination Leverage and Cash Financing"** approach which:

- Spans a Five Year Period only;

- Does not over-commit the District to an extreme strategy ("All Cash PayGo," or "All Leveraged") ahead of understanding where the economy, as well as growth and development trends are headed in the near term:

- Seeks an optimum amount of low interest rate long-term financing; and

- Maintains a portion of the District fixed Ad Valorem Property Tax and Availability – Standby Charge revenue stream for future flexibility to fund PayGo, or underwrite more low interest rate debt;

- Preserves portions of the District's cash assets.

IX. CIP Funding Beyond FY 2024-2025

Predicting what will happen over a five year period is difficult enough, so projecting out another 15 years would produce only a highly speculative picture at best and would be less

than a valuable exercise. However, what is clear today for the next five years, and 20 years overall, is that the District needs to endeavor to:

- Fully commit its Ad Valorem Property Tax Revenue and Water Availability / Standby Charges and Other Revenue to supporting implementation of **2019 Water Master Plan;**

- Maintain Local Revenues at a sufficient level to fully cover Local Operating Costs;

- Maintain the District's Monthly Meter Service Charges to meet 60% of the Local Operating Costs;

- Place any and all excess revenues generated annually into the District's Capital Replacement Reserve to help fund the CIP over the 15-year balance of the Water System Master Plan planning and implementation horizon.

- Maintain maximum financial responsiveness and flexibility through prudent cash management and preservation;

- Monitor and report on the implementation of the Long-Range Financial Strategy through the annual fiscal year budgeting process; and

- In the last year of the current strategy, FY 2024-2025, develop a Long Range Financial Strategy for the next five year period, FY 2025–2026 through 2029-2030.

Gary Arant
General Manager

James Pugh
Director Finance and Administration

Appendices

Appendix A

VCMWD
Cost and Revenue Structure Description
and
Policy Issue Analysis

July, 2019

VCMWD Cost and Revenue Structure Description and Policy Issue Analysis

July, 2019

I. Introduction and Summary of Policy Issues

2019 and 2020 are pivotal years for Valley Center Municipal Water District. In early 2019, VCMWD updated its ***Strategic Plan*** and its ***Water Master Plan*** and is on the verge of experiencing rapid growth in water and wastewater service connections. As an organization, VCMWD is implementing various technology upgrades such as Advanced Meter Intelligence (AMI) Metering and Computerized Maintenance Management Systems (CMMS) capabilities to assist it in dealing with increasing operational and service demands. To come in the latter half of 2019 will be the development of an updated ***Long Range Financial Plan,*** establishing the approach which will be needed to implement the Capital Improvement needs clearly identified in the updated Water Master Plan. Following the updated Long Range Financial Plan will be a water and wastewater rate analysis to determine the rates and charges necessary to not only fund the capital improvement needs of the District, but to also ensure VCMWD's long-term operational efficiency and effectiveness. Finally, in the last quarter of 2019, VCMWD will implement a ***Proposition 218 Notification*** process toward adoption of new rates and charges which will take effect after the beginning of 2020.

Prior to moving forward on all these critical undertakings, staff thought it might be important to provide in one place a foundational description of how VCMWD has been operated financially for the last several decades, including identifying and explaining the individual cost and revenue components. The discussion that follows is based upon the FY 2018-2019 Budget. Any specific recommendations for 2020 rates and charges will be based upon the adopted Final FY 2019-2020 Budget.

At this point, it is also important to identify any policy issues associated with the current fiscal approach and cost/revenue components which might need to be addressed as we move into developing the updated ***Long Range Financial Plan*** and ***Proposition 2018 Notification*** for the new Rates and Charges which will take effect in early 2020. Based upon the following analysis, staff has initially identified for following policy issues:

1.) ***Should the Board adopt a formal policy holding that Operational Revenues (Monthly Meter Service Charges and Local Commodity Revenue) shall be maintained at a level so that the Ad Valorem Property Tax Revenue, Water Availability / Standby Charges, and Other Revenue (interest income, lease revenue, delinquencies, etc.) can be formally dedicated to supporting CIP investment?***

2.) Should the policy goal of having the Monthly Meter Service Charges cover at least 50% of local operating costs be modified to raise the coverage goal beyond 50% to 60%?

3.) Should the Monthly Meter Service be increased over time to fund 100% of the District's fixed local costs with a commensurate reduction in the Local Commodity rate?

4.) Given the relatively close overall balance between Monthly Meter Service Charge and Local Commodity Charge revenues for the 1 ½," 2" and 3" meters, should the current Monthly Meter Service Charge Structure be retained?

5.) Should the current Monthly Meter Service Charge structure be modified to have the Monthly Meter Service Charges for the larger meters (1-½", 2" and 3") more closely reflect the relative flow rating?

6.) If increasing the Monthly Meter Service Charges for the larger meters results in customers wanting to downsize larger meters, should VCMWD implement a policy allowing the excess meter capacity, freed up by downsizing, to be retained for use on the subject property?

7.) Should a full or partial Monthly Meter Service Charge be considered for meters turned off on an intermittent or seasonal basis when service resumed by the same customer?

8.) Should VCMWD explore the concept of a separate Capital Charge being placed on the monthly bill, based on meter size which would be dedicated to CIP investment along with Ad Valorem Taxes and Water Availability / Standby Charges? Based upon 14,702 flow units, each $1.00 of a new Capital Charge would generate $170,424 in revenue ($1.00 x 14,702 Flow Units x 12+ $170,424) which could be used to accumulated $1,704,240 over a 10 year period, or leverage just over $2.0M low-interest Safe Drinking Water SRF funded improvements.

II. Water General Fund Cost and Revenue Structure

A. Wholesale Water and Power Costs – Valley Center Municipal Water District (VCMWD) purchases virtually all (99%+) of its water supply from the San Diego County Water Authority (SDCWA). VCMWD purchases about 95% of its power needs from SDG&E. So in terms of overall non-CIP Water General Fund expenses, $31,381, 500 or 72% of its FY 2018-2019 Water General Fund Budget of $43,871,900 (this amount does not include capital expenditures) goes to pay for purchased water and power.

1. **Wholesale Water Costs** – These costs are recovered by a per-Hundred Cubic Foot (HCF – 748 gallons) unit Wholesale Commodity Charge to each retail customer. This Wholesale Commodity Charge for purchased water reflects the rates and charges set by the Metropolitan Water District (MWD) and the SDCWA. Wholesale costs are made up of a per - Acre Foot (AF) Wholesale Commodity Cost plus a per unit Fixed Priced Charge spread over the amount of wholesale water purchased, less a safety factor (10% in FY 18'-'19 and 15% in 19'-20'), estimated to be purchased from the SDCWA in a given fiscal year. The SDCWA also imposes a fixed Infrastructure Access Charge (IAC) which is based on meter size and appears on the retail customer's monthly bill.

   For FY 2018-2019, VCMWD meets the wholesale water and power purchase costs with a dedicated MWD / SDCWA Wholesale Cost Commodity Component and the Pump Zone Charge. The amount of costs incurred and revenue collected is variable based upon changes in weather or economic driven fluctuations in water demand.

   Wholesale costs from MWD / SDCWA include:

   Fixed Charges from MWD and SDCWA:

   - **MWD Readiness to Serve Charge** – Allocation of MWD costs assigned to a fixed charge.
   - **MWD Capacity Reservation Charge** – Capacity Allocation in the MWD system.
   - **Customer Service Charge** – Admin, Conservation, Support Programs.
   - **SDCWA Supply Reliability Charge** – Portion of the investment in Seawater Desalination Facility.
   - **SDCWA Storage Charge** – Emergency Storage and Carry-over Storage.

   As stated above, the total Fixed Charges from MWD and the SDCWA are spread over the amount of anticipated sales for a fiscal year, reduced by a safety factor.

Variable (Volumetric) Charges from SDCWA

- **Transportation Rate** – Cost associated with operating and maintaining the aqueducts.

- **Melded Supply Rate** – Composite of all SDCWA water sources.

- **Melded Treatment Rate** – Composite of all SDCWA treatment sources.

Amounts paid in these categories are based upon the volume of water VCMWD takes from the SDCWA. See the attached FY 2018-2019 Budget excerpt for a more detailed explanation of the various charges (See Attachment A).

2. **Power Costs** – For FY 2018-2019, budgeted power costs from SDG&E (net of solar generation) of $1,873,000 are recovered through a per-Hundred Cubic Foot (HCF / 748 Gallons) unit Pump Zone Charge which is based upon the relative elevations in 10 Pump Zones from "0" Pump Zone, no charge, to Pump Zone 10, currently $369.82 per AF. Pump Station Operations, Maintenance and Replacement, as well as Solar Array Operations and Maintenance, are also recovered through the Pump Zone Charge.

B. **Locally Controlled Operations and Maintenance Costs** - Locally Controlled Operations and Maintenance Costs (O&M), $12,381,500 for FY 2018-2019, represent 25% of VCMWD's total Water General Fund Budget (including capital expenditures) of $49,937,300, and 28% of VCMWD non-capital Water General Fund Budget of $43,871,900. No readily identifiable portion of the Locally Controlled O&M costs are associated with the amount of water purchased and delivered by VCMWD to its retail customers in a given fiscal period. Costs for Employee Labor, Benefits, as well as Materials, Vehicle and Equipment Maintenance, State Regulatory License Fees, and Outside Professional Services for a given fiscal period occur based upon administrative, operations and maintenance demands, and do not vary with fluctuations in retail water deliveries. These costs will, over-time, increase with the number of service connections, customers and O&M needs of an aging water system, but for any given fiscal period, are fixed.

For FY 2018-2019, Locally Controlled Operations and Maintenance costs of $12,381,500 are met with a combination of the Monthly Meter Service Charges, $6,248,000, (50%), Local Commodity Component, $5,182,400, (42%), Other Revenue, $936,100, (7.6%), and Interest Income, $114,900, (0.3%). For some time, VCMWD has had a policy goal of having at least 50% of the Locally Controlled Operating and Maintenance Costs covered by Monthly Meter Service charges.

Adopting a Policy of having all Locally Controlled Operations and Maintenance Costs covered by Operating Revenue with a 50%/50% split between Meter Service Charges and the Local Commodity Component, would require raising the Commodity portion of the water rate 18% to generate the $951,500 gap in funding.

If this approach had been used in FY 2018-2019, $936,600 in Other Income and $15,000 of the total Investment Income, which are more variable and unpredictable sources of revenue, could have been used in the current fiscal year or rolled to the subsequent fiscal year period for other purposes such as cash, or "Paygo" Capital Improvement expenses.

On the other hand, it could be argued that all of the Locally Controlled Operations and Maintenance Costs are fixed and could be recovered entirely by the Monthly Meter Service Charges. If such a shift were made, Monthly Meter Service Charges would effectively have to double, with the current ¾" Monthly Meter Charge going from $39.50 / Month to $79.00 per month. At the same time, the Local Commodity Charge could be eliminated, reducing the current Total Commodity Rate from $4.8573 ($2,115.84/AF) to $4.3238 ($1,883.45), which is $232.39 /AF, or 11%.

While this approach would provide the maximum level of revenue stability for VCMWD and would benefit large water users, smaller users would be facing a very high monthly service charge, with lessened ability to reduce overall water cost through conservation and water use efficiency.

Finally, there are any number of combinations in between which could be explored. However, with: declining per capita water demand; wholesale suppliers shifting to more fixed revenues; the fixed nature local operations and maintenance costs: and increasing CIP demands, it seems prudent to consider having a larger proportion of fixed revenues covering local operating costs.

C. **Monthly Meter Service Charges** - As stated above, 50% of the Locally Controlled Operations and Maintenance costs are funded by the revenue from the Monthly Meter Service Charges. What follows is an analysis of the Monthly Meter Charge structure and its revenue producing characteristics (See Attachment B):

1. **Monthly Meters Charge Revenue by Meter Size Group** - Listed in the table below (L to R) are: Meter Size, Flow Unit, Flow Capacity Rating, Monthly Service Charge, Flow Rating Ratio to Monthly Meter Charge, and Extension reflecting the factoring of the Relative Flow Rating by the Base Unit Meter Service Charge.

Meter Size	Flow Unit	Capacity	Serv. Chrge.	Ratio/Base Chrge.	Extension
¾"(Base)	1	30 gpm	$39.93	1.0/1	$39.93
1"	1.5	45 gpm	$54.55	1.36/1	$59.90
1-1/2"	3.33	100 gpm	$81.83	2.0/1	$132.97
2"	5	150 gpm	$109.10	2.77/1	$199.65
3"	8.33	250 gpm	$163.65	4.10/1	$332.62

Accepting the ¾" meter as the base flow unit of 1, we can assess that the relative flow value of the 1" meters, which are primarily domestic meters, is generally reflected in the current Monthly Meter Service Charge. However, for the 1-½," 2" and 3" meters, the Monthly Meter Service Charge is not reflective of the relative flow ratings by as much as 100% of the current Monthly Meter Service Charge.

Staff assumes that this historical disparity between the Monthly Meter Service Charges and the relative Flow Ratings for the larger meters was founded upon the recognition then, that with larger volumes of water flowing through the larger meters the end users thus were supporting a larger proportion of VCMWD Operating and Maintenance costs, thus justifying a lower Monthly Meter Service Charge. When the District was delivering 40,000 to 45,000 AF per year to commercial agriculture through the 1-1/2", 2", and 3" meters, this assumption may have been valid. Under today's agricultural demand conditions, with VCMWD delivering 12,000 to 15,000, this assumption may no longer be valid. It should be tested and possibly re-evaluated. However, it is also clear that the flow capabilities of these large meters, as a collective group, are no longer being utilized to the degree it was when the agricultural deliveries were 3 and 4 fold than they are now. This question calls for additional analysis.

2. **Monthly Meter Service Charge Revenues Proportion by Meter Size Group** - The following table reflects the revenues produced by the groups of meter sizes in the District service area:

Mtr. Sz.	Mtrs	Fl. Units	% Fl Units	Ann.Rev.(000's)	% Ann. Rev.
¾"	6,248	6,248	44%	$2,992	55%
1"	1,454	2,181	15%	$ 952	17%
1-½"	493	1,645	12%	$484	9%
2"	579	2,895	20%	$758	14%
3"	148	1,233	9%	$294	5%
Total	8,922	14,202	100%	$5,480*	100%

***Does not include Monthly Meter Service Charge Revenue from Fire Meters and Large (6" & 8") Compound Meters.**

This analysis shows that the ¾' meters and to a lesser degree, the 1" meters, are bearing a disproportionately larger share of the Monthly Meter Service Charge revenue burden, compared to the 1-½", 2" and 3" meters. If the Monthly Meter Service Charge revenue is evaluated by itself, it might be necessary to make some adjustments to the current charge structure. However, prior to reaching any conclusions, the relationship between Meter Size groups and Local Commodity Revenue generation should be analyzed.

3. **Commodity Revenues by Year by Meter Size Group** – Another way to approach the question of revenue/cost equity between different segments of the customer base is to analyze the proportion of Local Commodity Revenue coming from the different meter size segments:

Meter Size	% of Flow Units	Local Commodity Rev.(000's)	% of total
¾"	44%	$856	19%
1"	15%	$368	8%
1-½"	12%	$458	10%
2"	20%	$1,402	30%
3"	9%	$1,549	34%
Total	100%	$4,633*	100%

***Does not include revenue from large compound meters, reclaimed water sale, construction or fire meters**

When analyzed from the perspective Local Commodity revenue, the relationship between meter size group and Local Commodity Revenue generation reverses.

4. **Combined Meter Service Charge and Commodity Revenue by Meter Size Group**- When both Monthly Meter Service Charge Revenues and Local Commodity Revenue are combined:

Meter Size.	%Flow Units	Mtr. Serv Chrg Rev	Local Com Rev	Total	% Total Rev.
¾"	44%	$2,992	$856	$3,857	38%
1"	15%	$952	$368	$1,320	13%
1-1/2"	12%	$484	$458	$942	9%
2"	20%	$758	$1,402	$2,160	22%
3"	9%	$294	$1,549	$1,843	18%
Totals	100%	$5,480	$4,633	$10,113	100%

Overall Analysis – When revenues from Monthly Meter Service Charges are balanced with Local Commodity Revenue by meter size group, except for the 3" meter size group, the segments are fairly well balanced and do not necessarily require correction. With the 3" group, it should be recognized that meters in this group also provide the customers with the ability and operational advantage to take peak flows of up to 250

gpm. 3" meters also are more expensive for the District to maintain and ultimately replace overtime.

5. **Monthly Meter Service Charges for Inactive and/or locked off Meters** – The District currently does not charge a Monthly Meter Service Charge for inactive and/or locked off meters. Policy regarding inactive meters varies widely between water agencies, ranging from no charge for inactive or locked off meters to 25% - 80% of the regular monthly meter service charge up to charging the full regular monthly meter service charge.

   The justification for charging any amount for inactive or locked off meters stems from the fact that the District must cover a portion of infrastructure and maintenance costs needed to ensure that the water system is ready to serve customers 24 hours a day, 365 days a year, regardless of how much water is used. Furthermore, that the portion of total fixed costs which do not vary with consumption should be covered by each party who benefits from the Districts readiness to serve. Having ready access to reliable water service is a major component of, and contributor to the value of any property, and therefore brings some benefit to the property owner.

   If we can accept that the contribution to overall demand depends on the meter size, not the amount of water actually delivered, then the idea of charging the regular monthly meter service charge to all meters, inactive and/or locked off or not, does seem reasonable.

   The District currently has a total of 862 inactive water accounts:

Customer Type	No. of Meters
Agricultural (TSAWR)	78
Domestic (M&I)	683
Fire	119
Total	862

The following table reflects the monthly and annual revenues that could potentially be generated if the District charged the full regular meter service charge for inactive and/or locked off meters

Mtr. Sz.	No. of Meters	Serv. Chrg.	Monthly Rev.	Annual Rev.
¾"	291	$39.93	$11,620	$139,440
1"	272	$54.55	$14,838	$178,056
1 ½"	82	$81.83	$ 6,710	$ 80,520
2"	151	$109.10	$16,474	$197,688
3"	66	$163.65	$10,801	$129,612
TOTAL	862		$60,443	$725,316

Analysis - Implementing a full regular meter service charge for inactive and/or locked off meters would present some challenges. The first would be differentiating between a temporary discontinuance of water service and a permanent discontinuance of service.

Temporary Discontinuance of service would involve the owner acknowledging that all outstanding charges are up to date including meter removal charges and that all monthly meter service charges and other fixed charges will continue to accrue, with interest and penalties if unpaid. Furthermore that they will pay all such accrued charges, turn-on fee, reconnection charges and any required backflow prevention device charges prior to water service being restored to the property.

Permanent Discontinuance of service would involve the owner acknowledging that all outstanding charges are up to date including meter removal charges and basically forfeiting their current capacity to the system. Meaning that if in the future the owner, or any subsequent owner of the property later desired to obtain water, the service would be subject to all requirements that would be imposed if the property had never before had water service from the District, including the imposition of Meter Installation charge, a charge for the backflow prevention device, a Meter Connection Fee, and a San Diego County Water Authority Capacity charge.

Implementation Issues - Locating the owners in order to have them agree to one or the other would be challenging in several ways, first being that many of those meters have been inactive for a very long time without having had to acknowledge anything in writing. Tracking ownership may prove to be very difficult, although the District is able to cross reference with County records.

If the District were to put this policy in place, and the owner who agreed to a temporary discontinuance but then never paid the monthly service charges, would be treated the same as all other customers, with first a lien being filed against the property and eventually the amount being added to the property tax roll.

From time to time, staff has evaluated proposing such a charge but has not brought it forward due to implementation challenges and concern for the impact on commercial agriculture in the District service area. It would be the opportune time to evaluate this possibility while other aspects of the rate and charge structure are being evaluated.

D. **Other Sources of District Revenue** – Beyond the two revenue sources discussed above, the District has several "non-operating" revenue sources, which include:

1. **Ad Valorem Property Tax** – For FY 2018 -2019, VCMWD budgeted for $2,375,000 in Ad Valorem Property Taxes. The amount received includes the current secured, current unsecured, prior unsecured, and Homeowners PTR.

   In the early years of its existence initially all and then a the majority of VCMWD's revenue came from the Ad Valorem Property Tax until a water system was in place and annual water sales revenue began to grow. These taxes were also levied to pay off voter approved General Obligation Bonds issued in the 1950's and 1960's to construct the original back-bone water system, (most of which is still in service today), as well as Ad Valorem Property Tax used to support VCMWD operations while the water system was being built and annual water sales were building. Today, the remainder of the Ad Valorem Tax represents 5.5% of VCMWD's overall revenues.

   The term "remainder" is important as the amount of Ad Valorem Property Tax coming to the District has been reduced dramatically, first by Proposition 13 in the late 1970's and then by three state ERAF (Educational Revenue Augmentation Fund) shifts in the early 1990's and 2000's which took locally generated property tax from cities, counties and special districts to fund state budget obligations to education. Without these shifts, VCMWD could be collecting in excess of $6.7 million in Ad Valorem Property Tax to offset the Local Operational Costs (See Attachment C). This $4.3 million in lost Ad Valorem Property Tax equates to $216 /AF based upon 20,000 AF of sales, or 93% of our current Local Commodity Charge of $232.39 / AF.

   Increases (or decreases) in the annual Ad Valorem Property Tax Revenue are based upon changes in the Assessed Valuation of properties in the VCMWD Service.

2. **Water Availability / Standby Charges** – The Municipal Water District Act (Ca Water Code, Division 20) allows VCMWD to levy an annual $10/acre, $10/parcel Water Standby/Water Availability Charge on the lands within the District. This levy generates $582,000 in net revenue after the $14,000 in annual deferrals on properties which anticipate never using VCMWD supplied water. (As a side note, if a Deferred Property

later decides to access the VCMWD system, it pays back prior levies which have been deferred plus compounded interest and a 10% surcharge on the deferred amount). It has been the practice of VCMWD to utilize these Water Availability/Standby Charge revenues for CIP expenditures.

3. **"Other Revenues"** – For the FY 2018-2019 Budget, "Other Revenues" include funds from a number of sources: Investment Income ($455,000); Delinquency Penalties/ Reconnection Fees ($391,000); Communications Leases ($332,800); Backflow Device Testing and Repair ($175,000); Sale of Surplus Equipment ($20,000) and eight other miscellaneous categories filling out the balance of the $1,391,600 in anticipated "Other Revenue." These revenues are combined with other Water General Fund revenues, with any annual surplus rolled over into the reserve categories as per the VCMWD Reserve Policy (Admin. Code, Article 50).

III. Water Capital Improvement Funding

A. **Historical Water CIP Funding** - Over VCMWD's 65 years of existence there have been several distinct phases of Capital Improvement Funding:

1. **1950's and 1960's** – In the early years, VCMWD used a series of voter-approved General Obligation Bond (GOB) issues to build the initial "Backbone" system of aqueduct connections, pumping stations and reservoirs. Due to the primarily undeveloped nature of the service area and resulting low assessed valuation, VCMWD had to seek special Congressional approval to issue debt which exceeded the assessed valuation of the service area.

   Also during this period, VCMWD formed 11 "U" Districts (Unimproved Area Districts) which provided the financing to build the distribution systems fed by the GOB-financed Backbone System. The "U" District assessments were added to the already heavy financial burden of GOB assessments.

   All General Obligation and "U" District debt has been resolved.

2. **1970's** – With a reliable source of imported water, relative low land prices and urbanization displacing agriculture in LA and Orange Counties, VCMWD (and all of North San Diego County) experienced rapid agricultural expansion which quickly outstripped the capacity of its existing water system. Expanding water needs were met by peaking control measures (limiting meter size based on parcel size) and accessing low interest rate loans through the Bureau of Reclamation 984 Program to construct more capital facilities, including enlarged pumping, storage, and pipeline capacity. This source was used to build Lake Turner, expand Betsworth Pumping Station, install the 42"/39" Cross District Feeder Line and to construct the 57 million gallon (mg) Cool Valley Reservoir, as well as many other smaller projects.

3. **1980's, 1990's and 2000's -** In this period, the rate of agricultural expansion slowed but there were still improvements needed to increase water service quality and system efficiency. The 1980's saw VCMWD CIP funding transition to using a State Revolving Fund (SRF) Safe Drinking Water Loan to build the San Gabriel area storage, pumping and distribution improvements and cash, or "Pay Go" financing. "Paygo" became the only source of CIP financing in the 1990's and 2,000's, with the focus on continuing to make system reliability and efficiency improvements (storage, dead-end looping, pump and pump station upgrades) and replacing some of the infrastructure installed in the 1950's and 60's.

4. **2010 to Today –** Presently, the entire CIP focus is on replacement of pipelines and refurbishing existing reservoirs and pump stations. New infill infrastructure will be provided by the anticipated new development as required. Rapidly increasing water prices and declining water sales have suppressed cash generation which previously came with selling 45,000 to 50,000 AF per year. During the period of large water sales volumes, CIP was funded from a variable combination of Water Standby / Availability Fees, Ad Valorem Property Tax; current FY anticipated available cash, and capacity fees. Budgeted CIP expenses above these funding sources would be met by draws on dedicated CIP Reserves, which represented an accumulation of carry over cash from the prior fiscal year. In essence, CIP financing and expenditures had been a year to year proposition, counting on large sales volumes as a significant source of CIP funding.

   However, that era has passed and it is anticipated that water sales will stay at the current level or trend upward slightly over time but will never return the levels seen in the middle to late 2000's. In this era of diminished water sales and revenue future uncertainty, cash preservation for agency financial stability has increased in importance. Helping to facilitate cash preservation has been the pursuit and securing of State of California State Revolving Fund (SRF) loans under the Safe Drinking Water Program. $4.2 million was secured for the Cool Valley Reservoir Cover Replacement Project. Currently an application has been made for $10.0M in new Safe Drinking Water SRF funding for 11 pipeline replacement projects. SRF loans provide very low interest rates (1.6%), 20-year amortization and no issuance or underwriting costs.

B. **CIP Funding Approach Going Forward -** In early 2019, the Board adopted the updated "Water Master Plan." This document focused on identifying and prioritizing the CIP replacement, refurbishment and upgrading requirements for pipelines, reservoirs and pump station over the next 20 years at an estimated cost of $78M (in 2019 dollars). For the first five years of the program $24.2M in needed priority investments were identified, for an average investment of $4.8M each year. Meeting this pace of CIP investment for the first five years and beyond will require a more deliberate approach to annual CIP funding than has been used in the past.

   For this discussion, it is assumed that VCMWD's annual Local Commodity Rate and Monthly Meter Service Charge revenues will be adjusted and maintained to meet the annual operations related costs. If this is realized, then the annual Ad Valorem Property Tax and

Water Availability / Standby revenues could be formally committed to funding annual CIP investment, either directly on a cash or "Paygo" basis or leveraged to pay annual debt service on financed CIP. Current Ad Valorem Property Tax and Water Standby / Availability Charge revenue of $2.8 will not allow the District to meet the average annual CIP investment goal of $4.8 million and other sources of investment funding will be required.

As mentioned above, VCMWD has made an SRF loan application for $10M. At 1.6% interest over a 20-year amortization period, the annual debt service on $10.0M would be $840,000. This, added to the current SRF obligation of $353,000 for the Cool Valley Reservoir Cover Project loan of $4.2M, results in a total SRF obligation of $1.2M out of the $2.8M available annual Ad Valorem Property Tax and Water Availability / Standby revenue, leaving $1.6 million for cash, or Paygo, or additional leverage financing. $1.2M of this $1.6M could ostensibly be used to finance another $14.0M in SRF loans, for a total of $24.0 million in leveraged financing, meeting the total estimated investment requirement for the first five years of the CIP investment plan. $400,000 annually will still be left over for cash, or further leverage investment. There are currently other cash sources to assist in offsetting these costs, including:

Existing Cash Sources:	
Capacity Charges Reserve*	$858,000
Continuing Projects (included in the Updated CIP)*	$3, 144,000
Capital Improvement Reserve*	$8,899,000
Sub-Total	$12,901,000
Anticipated Sources	
Meter Capacity Fees - 5 years – 2,500 EDU's @ $4,731	$11,827,000
Grand Total	$24,778,000

*See Attachment D

These cash funds can be used to offset the anticipated CIP investment costs of $19.367M in years 6-10, and then to partially offset the $34.101M investment costs in CIP Plan years 11-20. Beyond the next five years, it is anticipated that VCMWD will continue to accumulate Capacity Fees from another 2,500 to 3,000 EDUs ($12.0 to $14.0M at current rates) and other revenues over year 6-10 to meet its long-term CIP investment requirements.

There are also a number of cash and leverage financing scenarios which can, and will be explored to maximize the investment leverage of VCMWD's financial resources in the upcoming **Long-Range Financial Plan** currently under development. However, the key to successfully meeting VCMWD's long-term CIP investment requirements is having operational revenues which fully cover the annual operating costs leaving the annual Ad Valorem Water Tax and Water Availability / Standby revenue dedicated to supporting the CIP investment.

IV. Lower Moosa Canyon Water Reclamation Facility

A. **History** - The oldest of VCMWD's water reclamation systems, the Lower Moosa Canyon Water Reclamation Facility ("Moosa") serves 2,470 active accounts in the Hidden Meadows, Rimrock, Lawrence Welk Village, Champaign Village, Castle Creek Villas, Circle R, Treasures, Islands and the Oak Woodlands developments/communities. Constructed in the early 1970's, Moosa replaced several smaller, "packaged plants" with a more modern, efficient treatment and disposal system. Currently processing 340,000 to 350,000 gallons per day, the facility treats the waste to advanced secondary standards with post-chlorination and discharges through down-stream percolation. Moosa has gone through a number of upgrades over the years to improve treatment quality and operational efficiency, garnering it the state's Small Treatment Plant of Year Award in 2013 from the California Water Environment Association (CWEA).

   Moosa (as with the Woods Valley Ranch Water Reclamation Facility) is funded and accounted for as independent, stand-alone operations, not supported by the Water General Fund, and are in fact allocated an administrative overhead burden from the Water General Fund.

B. **Current Operational Funding** - Moosa's Operations, Maintenance and Capital replacement costs are funded by a flat $56.45 per EDU charge on the monthly water bill to cover treatment and collection system costs, set each year by the Board of Directors based upon a set contribution to a Capital Replacement Fund and then the anticipated Operations and Maintenance Costs for the given fiscal year. There is also an additional $46.58 per month Low Pressure System Charge for customers utilizing the low pressure collection system in the Rimrock Development. Revenues from this charge are used to partially offset the cost for maintaining and replacing the low pressure pumping units in the Rimrock Service Area.

C. **Current CIP Funding** - For CIP investment, there are currently two sources of funding. One is the annual contribution from general revenues to the Capital Replacement Fund and Moosa Wastewater Capacity Charges for new wastewater connections of $8,935/per EDU, as well as various other capacity reservation, inspection fees.

   Currently, the annual contribution to the Capital Replacement Reserve is $337,000, and is based upon the annual depreciation of the plant. At this time, the Capital Replacement Reserve balance is $1,276,000. Over the years, this fund has been adequate to fund plant minor enhancements and upgrades to the treatment plant.

D. **Future CIP Funding** - Currently Moosa is the subject of a Facility Master Plan Update and an ongoing Bureau of Reclamation Feasibility Study to review alternative treatment and disposal options. The Master Plan Update is focused on what needs to be done facility-wise to upgrade the treatment process to tertiary and expand the treatment capacity from .44 mgd to 1.0 mgd; the original anticipated capacity. The Bureau feasibility study is examining various disposal alternatives to accommodate the expanded capacity, up to and including demineralization to facilitate indirect and direct potable re-use. These studies are necessary

to determine how to accommodate wastewater flows coming from the Lilac Hills and potentially the Meadowood Developments. These potential changes and impacts will have a significant impact on Moosa physical facilities in terms of new and upgraded plant, operations and maintenance costs. This will mandate a full review of rates, charges and funds contributed to the Capital Replacement Reserve.

V. Wood Valley Ranch Water Reclamation Facility

A. History - In operation since the mid-2000s, the Woods Valley Ranch Water Reclamation Facility serves residential and commercial customers in the planning areas known as the North and South Villages. The 75,000 gpd Phase I facility was built to serve 280 EDUs at the Woods Valley Ranch Residential and Golf Course Development. Phase 2, which included construction of a 200,000 gpd treatment capacity expansion, collection system and seasonal storage reservoir to serve an additional 1,080 EDUs, is near final completion with the North Village Collection system under construction. Finally, initial discussions are underway for a Phase III expansion to serve additional needed EDUs in several large residential and commercial developments slated for the North and South Villages.

B. Current Operational Funding - In terms of ongoing facility operations and maintenance, currently connected EDUs in both Phase I and Phase II pay $98.60 per month, with charges applied to annual Ad Valorem Property Tax bill for each property in the facility service areas. Phase II EDUs, which have been secured through an Assessment District process but not connected, are billed a standby fee representing ½ the charge for actual services. The improving economy of scale associated with the growing number of EDUs and Standby Revenues coming into the system, combined with energy saving operational changes, have tended to offset the annual increases in operational costs experienced at Woods Valley Ranch. As such, the current monthly service charges have been held static since the mid-2000s.

C. Current CIP Funding - EDUs in Phases I and II are assessed for the debt service obligation to repay the State of California Revolving Fund Loan used to finance the Phase I and Phase II capital improvements.

D. Future CIP Funding - A portion of the annual revenues, $102,600, have been set aside annually into Capital Replacement Reserve, based upon the anticipated 20-year life cycle amortization of the treatment plant. The adequacy of these revenues and the annual Capital Replacement Reserve contribution will continue to be monitored on an ongoing basis and adjusted accordingly in future fiscal year periods. Any future major capital expansion of the Woods Valley Ranch, such as Phase III, will be funded by those properties needing the additional capacity using a District approved debt instrument secured through a land based assessment (an Assessment District or a Community Facilities District (CFD)).

Attachments

ATTACHMENT A

VCMWD — Source of Supply Budget Summary
Fiscal Year 2018-2019

Source of Supply 01-04-41-50XXX

Acct. No.	Detail and Justification	Jul to Dec	Jan to Jun	Department Request
321	Water Supply Charge			25,329,639
	To MWD & CWA -	1,194.00	1,185.00	
	Expected purchases in AF	12,538	8,742	
	Expected purchases in $	14,970,627	10,359,012	
368	Water Delivery Charge			2,490,908
	To MWD & CWA -	115.00	120.00	
	Expected purchases in AF	12,538	8,742	
	Expected purchases in $	1,441,895	1,049,014	
369	Agricultural Rebate - CWA			(2,872,121)
	Ag Discount Rate	(199.00)	(178.00)	
	Estimated Ag purchases in AF	8,706	6,402	
		(1,732,522)	(1,139,599)	
186	Ready to Serve Charge			484,993
081	Infrastructure Access Charge			531,720
394	Capacity Reservation Charge - MWD This charge is levied to recover the cost of providing peak capacity within the distribution system. It is based on a five-year rolling average of member agency flows during coincident peak weeks.			515,153

Source of Supply 01-04-41-50XXX

Acct. No.	Detail and Justification	Department Request
397	Customer Service Charge - CWA This charge is based on a three-year rolling average of all deliveries. It is levied to recover estimated costs necessary to support the functioning of the Authority, to develop policies and implement programs that benefit the region.	1,277,854
399	Emergency Storage Charge - CWA This charge is based on a three-year rolling average of non-agricultural deliveries. It is levied to recover costs associated with the Emergency Storage Program.	1,175,645
337	Supply Reliability Charge - CWA	574,695
045	Utilities - Electrical	1,367,300
047	Utilities - Natural Gas	505,700
	Utilities are based on sale of 20,000 A.F. and purchase of 21,280 A.F. @ $99 per A.F.	
	Electric 73% 1,367,300 Natural Gas 27% 505,700 Total 1,873,000	

VALLEY CENTER MUNICIPAL WATER DISTRICT

Schedule of Rates

ATTACHMENT B

Water Rates

Effective Billing of 2/1/2018

All rates shown are per 100 cubic feet (HCF)

Water Rate Components	Domestic/ Commercial	SAWR Agric.	SAWR Ag/Dom 1st 26 HCF	SAWR Ag/Dom Over 26 HCF	WVR Reclaimed	Construction Potable	Construction Nonpotable
					effective 2/1/17		
Valley Center MWD	0.5335	0.5335	0.5335	0.5335	2.4287	0.5335	3.6430
MWD/SDCWA wholesale	4.3238	3.0299	4.3238	3.0299		4.3238	
Total commodity rate	4.8573	3.5634	4.8573	3.5634	2.4287	4.8573	3.6430
Price per Ac. Ft.	$2,115.84	$1,552.22	Total=	1,585.86			

NOTE: - The Water Rates above DO NOT include Pumping Rates or VCMWD and CWA service charges. Be sure to add these when calculating the cost of water.
-MWD= Metroplitan Water District of So. Cal. SDCWA= San Diego County Water Authority.

Pumping Rates

Effective Billing of 2/1/18

Zone	Rate	Price per Acre Foot	Lift (in feet)
0	$0.00000	$0.00	0
1	0.09500	41.38	125
2	0.18995	82.74	265
3	0.21073	91.79	300
4	0.31470	137.08	455
5	0.46158	201.06	665
6	0.51489	224.29	745
7	0.54603	237.85	785
8	0.61887	269.58	895
9	0.64100	279.22	925
10	0.84900	369.82	1235

Water Equivalents

HCF = 100 cu. ft.	100 cu. ft = 748 gals.
1 ac. ft. = 43,560 cu. ft.	1 ac. ft. = 325,830 gals.

Water Service Charge

Effective Billing of 2/1/2017

Size	Monthly Charge	Fire Meter Charge	Size	Monthly Charge
3/4"	$39.93	$8.75	2"	$109.10
1"	$54.55	$12.25	3"	$163.65
1-1/2"	$81.83		Constr	$163.65

SDCWA Infrastructure Charge

Effective Billing of 2/1/2018

Size	Monthly Charge	Size	Monthly Charge
3/4"	$3.01	2"	$15.65
1"	$4.82	3"	$28.90
1-1/2"	$9.03		

Wastewater Service Charge

Effective Billing of 2/1/2018

(A) Moosa-Gravity:	$56.45	per month
(E) Moosa-Pressure:	$103.03	per month
(G) Woods Valley Ranch (prop tax bill)	$98.60	per month

General Information:

Bills are issued once a month to cover the preceding month. Bills unpaid 20 days after billing date are delinquent and shall incur a delinquent penalty of 10% the first month and 1.5% per month thereafter. If payment is not received within 45 days after billing date, the meter may be shut off without further notice. A service charge of $45.00 plus any other bills must be paid before resumption of service following lock off for non-payment. Customer is responsible for all delays in our receiving payment.

Turn-On Charge $35.00; after 3:30 p.m. daily or on weekends or holidays a $35.00 surcharge will be added to any other applicable turn-on fees.

Transfer of Service Fee $10.00 per meter transferred. Backflow Inspection Fee $45.00/Fire Meter $30.00.

Office Phone Or After Hours Emergencies: (760) 735-4500 Finance (760)735-4502 Fax : (760) 749-2931
Telecommunications Device for the Deaf TDD: (760) 749-2665
Office Hours: 7:00am - 4:30pm Monday - Thursday 7:30am to 4:00pm Friday
E-Mail: vcwater@vcmwd.org

ATTACHMENT C

June 18, 2018

TO: **Honorable President and Board of Directors**

FROM: **Gary T. Arant, General Manager**

SUBJECT: RESOLUTION TO ESTABLISH APPROPRIATION LIMIT FOR 2018-2019

PURPOSE:

Board adoption of Resolution No. 2018-12 establishing the appropriation limit for proceeds from taxes is required by Section 7910 of the Government Code and Article XIIIB of the State Constitution (Gann Amendment).

SUMMARY:

In November, 1979, the voters of California approved the addition of Article XIIIB to the State Constitution. This amendment provided a maximum annual percentage that proceeds of taxes could increase. The impact of this legislation is most felt by cities and agencies that exist almost entirely on proceeds of taxes of one sort or another. The District's revenues consist primarily of water and wastewater charges, with less than 5% from general property taxes. We do have to comply with the legislation by establishing an appropriations limit for the amount we do receive from property taxes. Our estimated property tax collections are less than half the appropriation limit, and if actual tax collections ever exceeded this limit, refund of the excess would have to be made.

Under Proposition 111, the method of calculating the annual appropriation limit was revised, effective July 1, 1990. The California Constitution specifies that the appropriation limit may increase annually by a factor comprised of the change in population combined with either the change in California per capita personal income or the change in the local assessment role due to local nonresidential construction. The appropriation limit method recommended for adoption uses the highest of the options available to maximize our limit for 2018-2019.

Government Code Section 7910 also requires a 15 day period for our calculations to be available to the public for their review, if desired. The attached Public Notice was posted May 31, 2018, in compliance with this requirement.

RECOMMENDATION:

That Resolution No. 2018-12 be adopted to establish the appropriation limit for 2018-2019 as $6,766,280.

PREPARED BY:

James V. Bugh
Director of Finance

APPROVED BY:

Gary T. Arant
General Manager

RESOLUTION NO. 2018-12

RESOLUTION OF THE BOARD OF DIRECTORS OF VALLEY CENTER MUNICIPAL WATER DISTRICT TO ESTABLISH THE APPROPRIATION LIMIT FOR THE 2018-2019 FISCAL YEAR

WHEREAS, effective July 1, 1980, Article XIIIB of the California Constitution took effect limiting the appropriations of certain state and local agencies; and

WHEREAS, effective July 1, 1990, Article XIIIB of the California Constitution was amended; and

WHEREAS, the Legislature has adopted Government Code Sections 7900 through 7914 setting forth procedures to be followed by affected local agencies in fixing and determining their appropriation limit; and

WHEREAS, pursuant to said Government Code sections, the County of San Diego and the State of California Department of Finance have supplied the District with data regarding changes in population, cost of living, per capita income, nonresidential new construction, and local assessment roll for use in determining its appropriation limit; and

WHEREAS, the District had a tax rate in excess of 12.5 cents per $100 of assessed valuation during the 1977-78 fiscal year, and, therefore, is subject to the provisions of Article XIIIB and implementing legislation; and

WHEREAS, the Government Code Section 7910 requires that each year the governing body of the District, by resolution, establish its appropriation limit for the following fiscal year; and

WHEREAS, the Government Code Section 7901 requires the governing body of the District, annually by resolution, to select the basis for its change in population as defined in that section; and

WHEREAS, Section 8(e)(2) of Article XIIIB of the Constitution requires the Board to select the method of determining "change in the cost of living" as defined in that section; and

WHEREAS, at least 15 days prior to the meeting at which this resolution was adopted, the documentation used in the determination of the appropriation limit was made available to the public at the offices of the District; and

WHEREAS, the Board has fully considered said laws, the revenues and expenditures of the District during the relevant years, the data received from the State of California Department of Finance, the reports and recommendations of staff, and the opinions of counsel;

NOW, THEREFORE, IT IS HEREBY RESOLVED, DETERMINED AND ORDERED by the Board of Directors of Valley Center Municipal Water District as follows:

1. That the foregoing facts are true and correct.

2. That the appropriation limit for the 2017-18 fiscal year was $6,465,628, and that the proceeds of taxes to be received in that year, in the amount of approximately $2,242,400, did not exceed that appropriation limit.

3. That in determining the appropriation limit for 2018-2019, the District shall use the percentage change in the California per capita personal income from the preceding year or the change in the local assessment roll from the preceding year due to the addition of local new nonresidential construction, whichever is greater.

4. That in determining the appropriation limit for 2018-2019, the District shall use the percentage change in population for San Diego County or for the unincorporated portion of San Diego County, whichever is greater, as provided by the State of California Department of Finance.

5. That pursuant to Article XIIIB, as amended, and Section 7910 of the Government Code, as amended, the appropriation limit for Valley Center Municipal Water District for the 2018-2019 fiscal year is established at $6,766,280.

PASSED AND ADOPTED at a regular meeting of the Board of Directors of VALLEY CENTER MUNICIPAL WATER DISTRICT held the 18th day of June, 2018, by the following vote, to wit;

AYES: Directors Polito, Haskell, Broomell, Ferro and Holtz

NOES: None

ABSENT: None

Robert A Polito
President

ATTEST:

Christine M. Johnson
Secretary

PUBLIC NOTICE

In accordance with Government Code Section 7910, notice is hereby given that on June 18, 2018, at 2:00 P.M. at 29300 Valley Center Road, the Board of Directors will, by resolution, establish the District's 2018-19 appropriation limit pursuant to Article XIIIB of the State Constitution as amended by Proposition 111 effective July 1, 1990. The appropriation limit for 2018-19 is to be set at $6,766,280 and was calculated as set forth below. Documentation of the computation is available in the office of the Director of Finance of the District at the above address.

Fiscal Year	Price Increases (1)	Population Increases	Appropriation Limit
Proceeds of Taxes Base Year			
1986-87			$855,392
Annual adjustment factors:			
1987-88	12.54% (b)	5.83%	$1,018,772
1988-89	15.56% (b)	6.09%	$1,249,014
1989-90	7.21% (b)	5.63%	$1,414,508
1990-91	7.96% (b)	5.83%	$1,616,075
1991-92	4.14% (a)	5.24%	$1,771,218
1992-93	2.75% (b)	4.04%	$1,893,432
1993-94	2.72% (b)	2.95%	$2,002,304
1994-95	0.71% (a)	1.42%	$2,045,153
1995-96	4.72% (a)	1.55%	$2,174,816
1996-97	4.67% (a)	1.19%	$2,303,565
1997-98	4.67% (a)	1.46%	$2,446,386
1998-99	4.15% (a)	2.63%	$2,614,942
1999-00	4.53% (a)	2.17%	$2,792,758
2000-01	4.91% (a)	2.33%	$2,998,026
2001-02	7.82% (a)	1.96%	$3,295,730
2002-03	0.06% (b)	1.80%	$3,357,031
2003-04	2.31% (a)	1.77%	$3,495,341
2004-05	3.28% (a)	1.73%	$3,672,555
2005-06	5.26% (a)	1.27%	$3,914,944
2006-07	3.96% (a)	0.94%	$4,108,342
2007-08	4.42% (a)	2.00%	$4,375,795
2008-09	4.29% (a)	1.43%	$4,628,716
2009-10	0.62% (a)	1.32%	$4,718,976
2010-11	-0.37% (b)	1.52%	$4,772,772
2011-12	2.51% (a)	0.72%	$4,927,887
2012-13	3.77% (a)	0.92%	$5,160,483
2013-14	5.12% (a)	0.80%	$5,468,048
2014-15	-0.23% (b)	1.23%	$5,522,728
2015-16	3.82% (a)	1.48%	$5,818,746
2016-17	5.37% (a)	0.78%	$6,178,926
2017-18	3.69% (a)	0.92%	$6,465,628
2018-19	3.67% (a)	0.95%	$6,766,280

Posted May 31, 2018

James V. Pugh, Director of Finance
Valley Center Municipal Water District

(1) A California governmental unit may increase its appropriation limit by either
(a) the annual percentage increase in California fourth quarter per capita personal income, or
(b) the percentage increase in the local assessment roll from the preceding year due to the addition of local non-residential construction, whichever is greater.

ATTACHMENT D

RESERVE BALANCES JUNE 30, 2018

Water -		
Capacity Charges	858,181	
Capital Improvements	8,898,752	
Continuing Projects	3,143,847	
Debt Service	198,302	
Operating Reserve	5,636,853	
Rate Stabilization	608,352	
		19,344,287
Moosa -		
Capacity Charges	501,146	
Continuing Projects	1,265,805	
Replacement Reserve	1,276,560	
		3,043,511
Woods Valley Expansion -		
Continuing Projects	6,378,548	
Debt Service	1,542,388	
Operating Reserve	2,039,632	
		9,960,568
Woods Valley Wastewater -		
Continuing Projects	724,004	
Operating Reserve	351,212	
Replacement Reserve	293,173	
		1,368,389
Total Reserves		33,716,755