



FACT SHEET: LOMPICO SERVICE

BACKGROUND & SURCHARGE INFORMATION

In the midst of California's historic drought and after concerns were expressed by state health officials that the Lompico County Water District's (LCWD) supply is vulnerable, a multi-year effort took place to merge LCWD (approximately 500 customers) with the San Lorenzo Valley Water District (approximately 7,400 customers) to ensure a safe and reliable water supply.

Guided by the County's Local Agency Formation Commission, and with support from Supervisor McPherson and others, the two agencies worked out an agreement to merge. The merger agreement included bond financing for \$2.75 million in needed infrastructure improvements in Lompico. Following rejection of the bond by LCWD voters, SLVWD suggested creation of a new assessment district to fund the improvements. The assessment district idea was put before LCWD voters and approved.

The merger agreement approved by LCWD and SLVWD recognized the need for a temporary, 5-year surcharge for Lompico customers. The agreement is not specific in terms of detailed expenditures and states that the surcharge is needed "...in order to cover the difference between SLVWD's estimated revenues collected in Lompico and SLVWD's estimated operating costs in Lompico..."

The surcharge schedule includes, per month, per connection:

- Year 1/\$23.50 (Year 1 ends May 31, 2017)
- Year 2/\$19.50
- Year 3/\$8.50
- Year 4/\$5.50
- Year 5/\$5.50

KEY INFRASTRUCTURE IMPROVEMENTS & MAINTENANCE COMPLETED

Following the merger on June 1, 2016, SLVWD moved immediately to make system infrastructure improvements for Lompico customers including:

- ✓ Responded to State of CA concerns about lead and copper levels in the Lompico water system by switching 100% of Lompico customers to SLVWD-sourced water via the booster station on Zayante Dr.
- ✓ Installed over 500 new water meters
- ✓ Installed a new temporary System Control and Data Acquisition (SCADA) system
- ✓ Improved water quality by helping eliminate iron and manganese sediment through flushing Lompico pipelines, which hadn't happened in many years
- ✓ Provided access to online monthly bill payment service for Lompico customers

FINANCIAL UPDATE

Following establishment of the merger agreement, LCWD paid off two important debts that were anticipated during negotiations for the agreement:

- ✓ \$40,136 – Personnel Settlement to the LCWD former general manager
- ✓ \$7,247 – Safe Drinking Water State Revolving Fund Loan

LCWD also brought to SLVWD a positive bank account balance as part of the merger: balance of \$245,268 in cash and cash equivalents, as of June 1, 2016.

During the 2015-2016 period between the final negotiated agreement and the passage of the assessment district by LCWD voters, LCWD accumulated new debts. Additional LCWD debts were unrecognized during negotiations. Combined, the new and unrecognized debts include:

- \$69,563 – Capital repair cost for construction contract signed by Lois Henry as President of LCWD
- \$8,109 – Capital replacement cost for a booster pump that began failing prior to merger
- \$17,437 – Miscellaneous contract costs (final LCWD yearly audits, 2015-2016 insurance premiums, etc.)
- \$123,467 – Unfunded retirement liability for previous LCWD employees

SLVWD has fully accounted for all of the above expenses, as well as cash LCWD brought to the merger. Based on the first 7 months of service delivery by SLVWD, the Lompico Service Area remains underfunded approximately \$10,700 per month, which includes known debts, additional revenue (surcharge) and expenses. Regardless, SLVWD recommends no changes to the Lompico surcharge.