

OPTIONS FOR FUTURE WATER SERVICE IN LOMPICO

DECEMBER 4, 2013 7:00 p.m.

ZAYANTE FIRE STATION

WELCOME

Bruce McPherson

INTRODUCTIONS

Lois Henry, LCWD

CURRENT CONDITIONS

John Ricker, County Water
Resources Manager

PRESENTATION OF OPTIONS Pat McCormick, LAFCO

WHAT IS AT STAKE IF THE MERGER DOESN'T HAPPEN?

John Ricker

QUESTIONS FROM THE PUBLIC

Moderated by

Terry Vierra, SLVWD

WORKING GROUP

Susan Mauriello, County Administrative Officer

Christina Mowrey-Riggs, CAO Analyst

Robin Musitelli, Supervisorial Aide

John Ricker, County Water Resources Manager

Pat McCormick, LAFCO Executive Officer

Jim Mueller, SLVWD General Manager

Rick Rogers, SLVWD Operations Manager

Rick Herrington, Lompico CWD Board Member

Lois Henry, Lompico CWD Board President

DEFERRED MAINTENANCE, INSUFFICIENT RESOURCES

The California Department of Public Health regulates water quality.

Short Term—Compliance Order for Trihalomethanes

Long Term—2013 Sanitary Survey

- Sources, Well 6 boil order if used
- Source Capacity, unable to meet maximum day demand
- Storage, all 6 tanks are in poor condition and need replacement
- Treatment, Mill Creek plant needs minor repairs and operations plan
- Operations, need to exercise valves and flush dead ends, install remote controls
- Monitoring, need to increase monitoring and to treat 2 wells for iron and manganese
- Inadequate management and financial reserves

**LOMPICO WATER BUDGET - ESTIMATE FY 14-15
INDEPENDENT COMPARED TO MERGER**

	Independent Lompico	SLVWD Merger	Compared
Expenditures:			
Salaries and Benefits	359,000	271,000	(88,000)
Services and Supplies	245,000	198,000	(47,000)
Debt Service	91,000	269,000*	178,000
Improvements	211,000	0*	(211,000)
Contingencies/Reserves	38,000	0	(38,000)
Total Expenditures	\$944,000	\$738,000	(\$206,000)
Revenues:			
Property Taxes	54,000	54,000	0
Other Charges	5,000	5,000	0
Residential Water Sales	515,000	439,000	(76,000)
Rate Increase for Improvements and Operations	368,000	0	(368,000)
Bond	0	238,000*	238,000
Other Revenue	2,000	2,000	0
Total Revenues	\$944,000	\$738,000	(\$206,000)

* For the merger alternative, the \$238,000 debt service for the bonds funds the capital improvement program.

COMPARISON OF CAPITAL IMPROVEMENT PROGRAMS UNDER INDEPENDENT LOMPICO AND MERGER SCENARIOS

FIVE FISCAL YEARS BEGINNING ON JULY 1, 2014 AND ENDING ON JUNE 30, 2019

	INDEPENDENT	MERGER
Sources	Minor improvements to wells and creek intake Do not meet CDPH flow requirement	Included in maintenance
Treatment	\$77,000 of plant improvements	\$77,000 of plant improvements
Storage	Three tanks replaced	All six tanks replaced
Distribution	\$348,100 spent 70% on meters and laterals; 30% on pump stations, gate valves, etc.	\$580,000 spent on replacing all meters and 2/3rds of laterals
SCADA	Full system installed	Full system installed
Intertie	None	Emergency intertie to SLVWD
5-Year	\$1.11 million pay-as-you-go	\$2.75 million paid off over 30 years

LOMPICO AVERAGE CUSTOMER WATER COSTS FOR OPERATIONS UNDER TWO MODELS

Model	Fiscal Year	Bi-Monthly Cost	% Increase over FY 13/14
LCWD Current Average Costs with approved rate increase	FY 14/15	\$183	5%
LCWD Costs under Independent Model	FY 14/15	\$227	30%
Lompico Costs under Merger Model	FY 14/15	\$149	-14%

LOMPICO AVERAGE CUSTOMER WATER COSTS FOR IMPROVEMENTS UNDER TWO MODELS

Model	Fiscal Year	Bi-Monthly Cost	Improvements
LCWD Current Rates with approved rate increase	FY 14/15	\$0	Approx. \$1.4 million in deferred maintenance
LCWD Rates under Independent Model pay as you go	FY 14/15	\$72	\$211,000/yr
Lompico Rates under Merger Model with Bond (\$482/yr., 30 years)	FY 14/15	\$36 - 100	\$2.7 million with intertie

ASSUMPTIONS FOR INDEPENDENT LOMPICO ANALYSIS

- Remain an independent agency.
- Pursue general plan to improve infrastructure on a pay-as-you-go basis.
- \$68,375 of general plan infrastructure improvements will be done in FY 2013/14.
- Hire a full-time general manager.
- Pay off the short-term CALPERS side fund loan from SLVWD.
- Incur no major unexpected costs.
- Put 4% of total budget into reserve each year until reserve reaches four months of operations and maintenance costs.
- Assume an inflation rate of 3% for operations, maintenance, and administrative expenses.
- Increase rates in 2014 to operate with a balanced budget over the next five years.

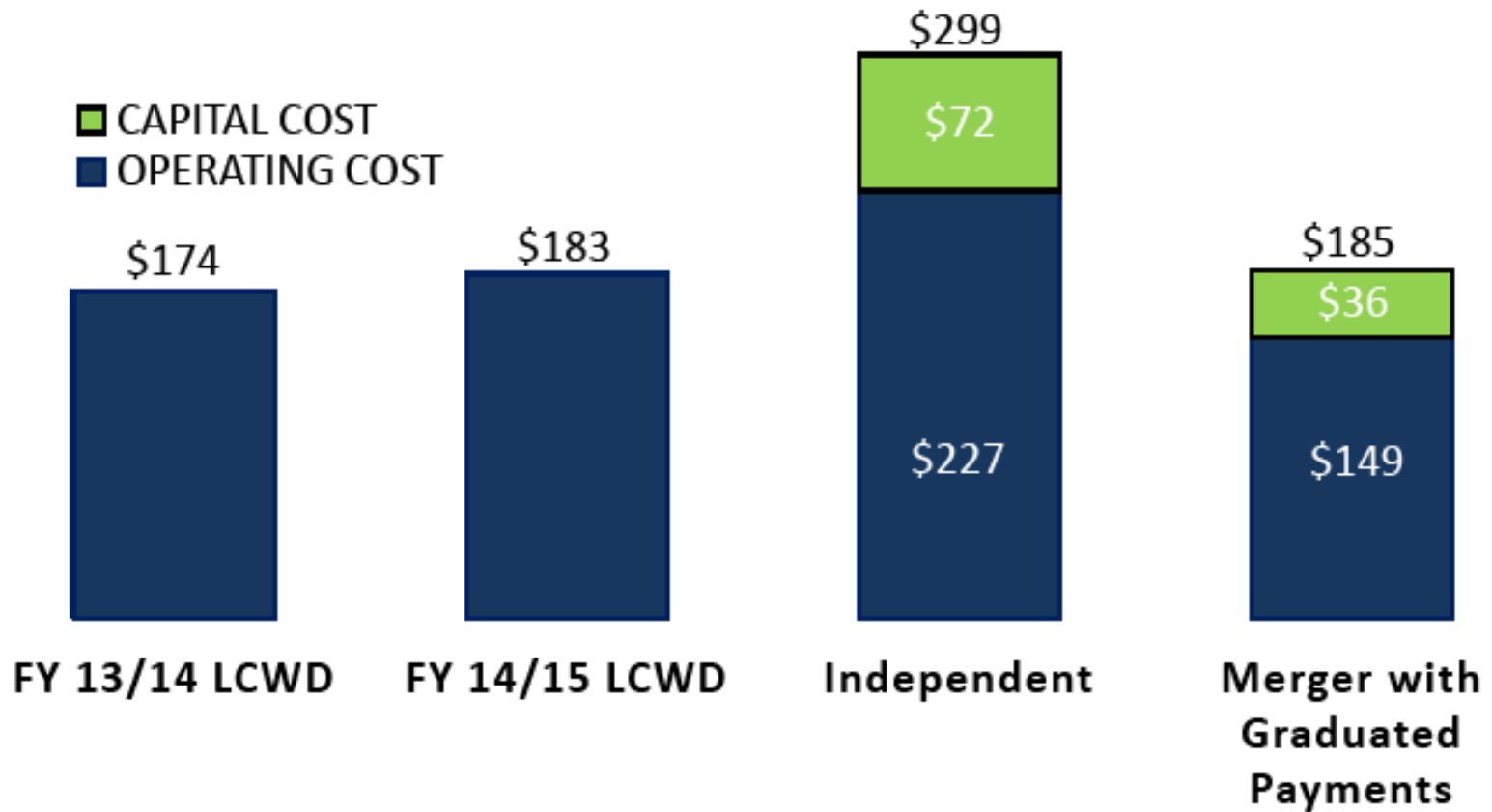
COMPONENTS OF LOMPICO AVERAGE CUSTOMER WATER COSTS UNDER MERGER MODEL FY 14/15

Model Merger with SLVWD	Bi-Monthly Cost
SLVWD Approved Rates	\$98
Ready to Serve Charge (capped at 5 years)	\$51
Lompico Rate (collected on water bill)	\$149
Bond (collected on property tax bill)	\$36 - \$100
Total Costs	\$185 - \$249

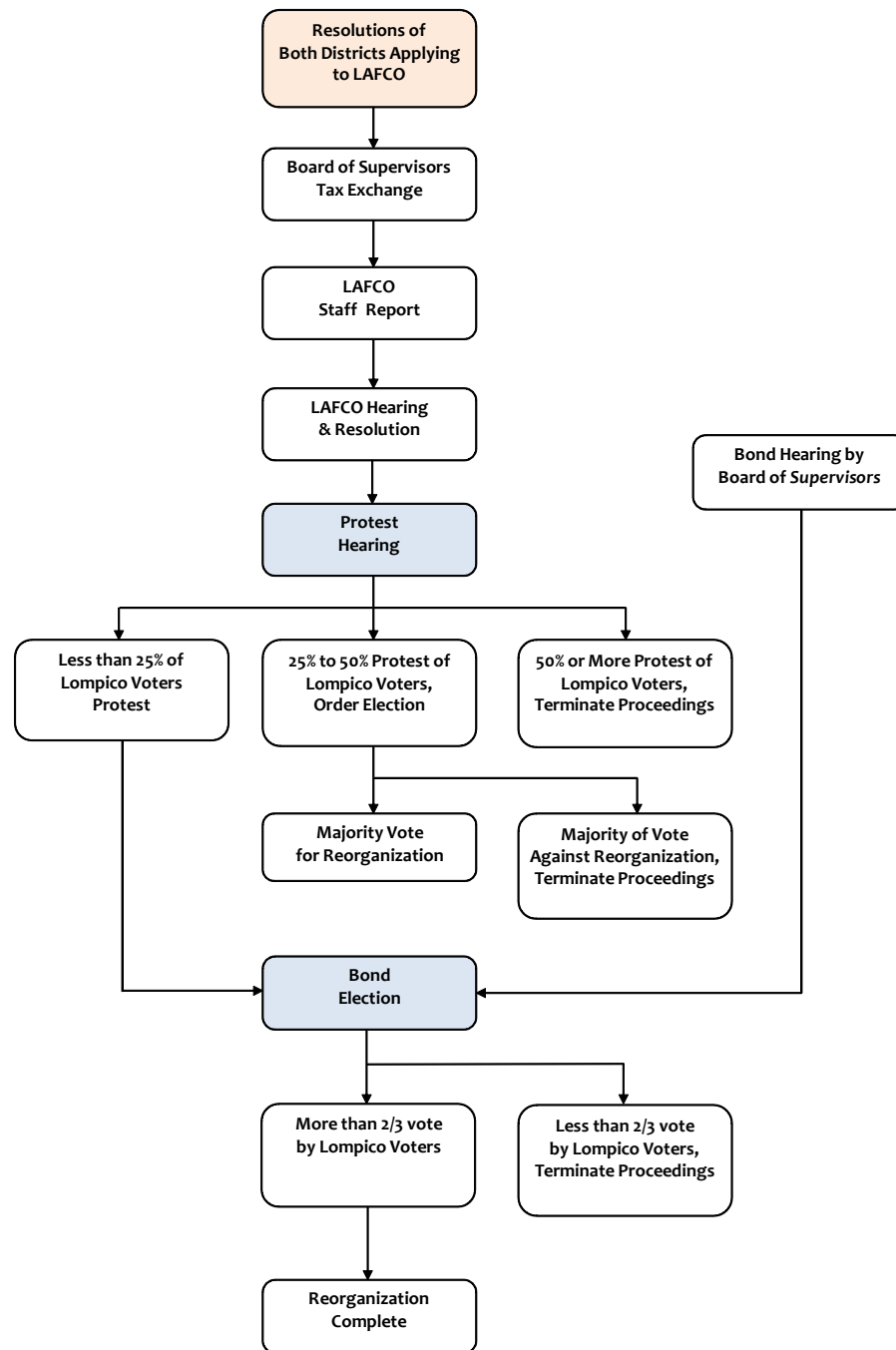
FINANCING CAPITAL IMPROVEMENTS

Model	Fiscal Year	Bi-Monthly Capital Cost	Improvements
LCWD Rate Component for Improvements under Independent Model	FY 14/15 Additional rate increase	\$72	Ave. \$223,000/yr Pay as you go No additional water source
Lompico CFD Bond	FY 15/16 Charges on tax bill	\$80 OR (\$36 increasing to \$100)	\$2.75 million Includes emergency intertie

AVERAGE LOMPICO CUSTOMER BI-MONTHLY COSTS FY14/15



REORGANIZATION PROCESS



BACKGROUND INFORMATION

LOMPICO COUNTY WATER DISTRICT

INDEPENDENT FIVE YEAR BUDGET PROJECTION	2014/15	2015/16	2016/17	2017/18	2018/19
OPERATIONS AND MAINTENANCE (O&M) EXPENSES					
1 Salaries and Benefits	359,000	369,770	380,863	392,289	404,058
2 Contract Operation and Maintenance	75,000	77,250	79,568	81,955	84,413
3 Power and Other Utilities	45,000	46,350	47,741	49,173	50,648
4 Regulatory Fees	1,500	1,545	1,591	1,639	1,688
5 Treatment Chemicals	26,000	26,780	27,583	28,411	29,263
6 Structure and Road Maintenance	13,000	13,390	13,792	14,205	14,632
7 Professional Audit Services	28,000	28,840	29,705	30,596	31,514
8 Transportation	8,000	8,240	8,487	8,742	9,004
9 Materials, Supplies, and Parts	3,000	3,090	3,183	3,278	3,377
10 Office Supplies	7,000	7,210	7,426	7,649	7,879
11 Miscellaneous: Director Fees, Membership, Training	10,000	10,300	10,609	10,927	11,255
12 SUB-TOTAL OPERATIONS AND MANAGEMENT EXPENSES	575,500	592,765	610,548	628,864	647,730
GENERAL AND ADMINISTRATIVE EXPENSES					
13 Insurance	9,000	9,627	9,916	10,214	10,520
14 Truck	0	0	35,000	0	0
15 Computer, Software, and Training	0	0	9,000	0	0
16 New Funding Project Costs (General Plan)	211,100	234,200	216,500	229,100	240,000
17 Long-Term Debt Service	32,255	33,255	7,399	0	0
18 Short-Term Loan to Pay Off CalPERS Side Fund	58,283	9,714	0	0	0
19 General Reserve	37,756	37,912	37,524	37,501	38,365
20 Engineering and Professional Services Not in Gen. Plan	20,000	20,600	21,218	21,855	22,510
21 Replacement Well	0	0	0	0	0
22 Capital Reserve	0	0	0	0	0
23 Intertie with SLVWD	0	0	0	0	0
24 SUB-TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	368,394	345,308	327,557	308,670	311,395
25 TOTAL EXPENSES	943,894	938,073	938,105	937,534	959,125

**LOMPICO COUNTY WATER DISTRICT
INDEPENDENT FIVE YEAR BUDGET
PROJECTION**

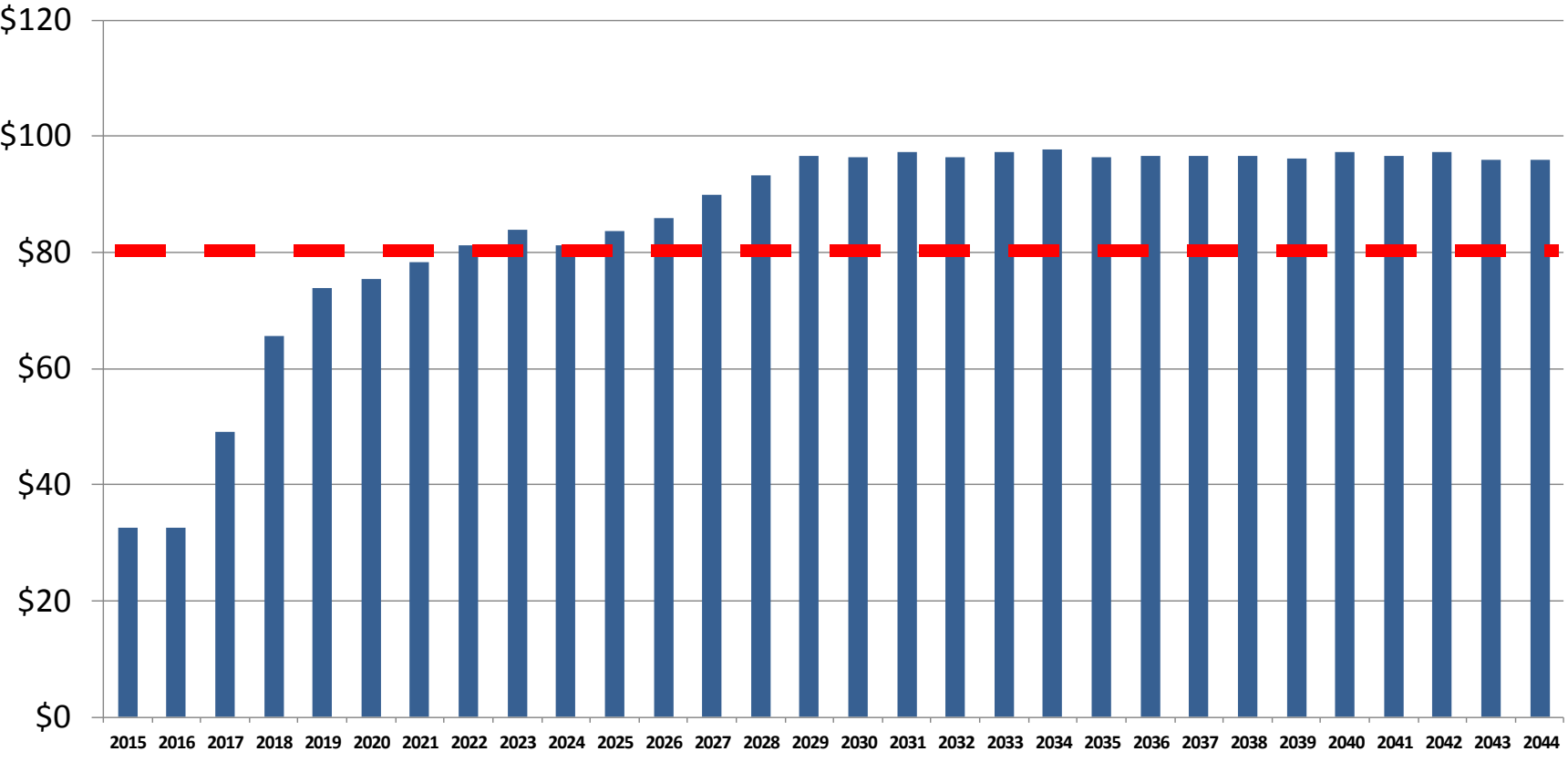
REVENUE	2014/15	2015/16	2016/17	2017/18	2018/19
a Water Revenues (Adopted LCWD Rates)	489,700	514,185	514,185	514,185	514,185
b Fees and Services	5,425	5,588	5,755	5,928	6,106
c Hookup Charges	1,500	1,545	1,591	1,639	1,688
d Other Sources: Property Taxes, Interest	54,300	55,929	57,607	59,335	61,115
e Revenue before Future Rate Increase	550,925	577,247	579,139	581,087	583,094
f New Revenues from Future Rate Increase	392,969	360,826	358,966	356,447	376,031
g TOTAL REVENUES	943,894	938,073	938,105	937,534	959,125

INDEPENDENT LOMPICO

CAPITAL IMPROVEMENT PLAN

Item	Completed by		Pro Forma Years				Task Cost
	July 1, 2014	2013/14	2014/15	2015/16	2016/17	2017/18	
Well #1			1,300				1,300
Well # 5	125		11,700				11,700
Well #6--standby	3,500		1,000			11,000	12,000
Well #7A				14,200			14,200
Lompico Creek					14,000		14,000
Lewis Treatment Plant			60,000				60,000
Mill Creek Treatment Plant	81,100						
Mill Creek Clear Well			17,000				17,000
Lewis Tank #1--Lower						156,500	156,500
Lewis Tank #2--Upper			120,000				120,000
Kaski Tank #1--South				120,000			120,000
Kaski Tank #2--North							0
Madrone Tank #1							0
Madrone Tank #2							0
Supplemental Supply (well)							0
Intertie							0
Booster Pump Station	750				10,500		10,500
Pressure Reducing Stations					7,600		7,600
Replace Laterals/Meters						244,000	244,000
Air Relief Valves					20,000		20,000
Gate Valves					66,000		66,000
SCADA			100,000	100,000			200,000
Back-Up Generator(s)						40,000	40,000
FIVE YEAR TOTAL			211,100	234,200	216,500	229,100	240,000
AVERAGE YEARLY COST OF PRO FORMA							1,114,800
							222,960

GRADUATED BOND PAYMENTS CONVERTED TO BI-MONTHLY



CAPITAL FINANCING OPTIONS

Options	Improvements Needed	Finance Plan	Annual Cost	Bi-Monthly Comparison
Original Estimate: Lompico Water District	Deferred Major Maintenance \$1.4 million plus Emergency Intertie with SLVWD	Create CFD for improvements and use grant funds for intertie	\$131,000	\$45
Current Options with Alternatives:				
Independent Lompico	Deferred Major Maintenance \$1.4 million No Intertie	Pay as you go for 6-7 years – major rate increase	\$211,000	\$71
Lompico merges with SLVWD and creates a Community Facilities District (CFD) to finance improvements	Deferred Major Maintenance \$1.4 + Intertie \$1.3 Million for \$2.75 Million	Create CFD to finance all improvements – some rate increase needed	\$238,000 or restructured for less in the early years @ \$109,000 escalating to \$295,000	\$80 OR (\$36 increasing to \$100)
Lompico merges with SLVWD and creates a Community Facilities District (CFD) to finance improvements w/o intertie and seek grant funds	Deferred Major Maintenance \$1.4 Seek possible Disadvantaged Communities grant funds	Create CFD to finance improvements – no further rate increases initially	\$131,000 or restructured for less in the early years @ \$62,000 escalating to \$162,000	\$45 OR (\$21 increasing to \$55)

FURTHER INVESTIGATION

- Disadvantaged community status for Lompico
- Grants for some improvements
- In bond, split into two series (emergency intertie, all other projects)
- Under merger, convergence of Lompico and SLVWD rates as bond funds are used to install improvements
- Other ideas