



NOTICE OF SPECIAL LOMPICO OVERSIGHT COMMITTEE MEETING

NOTICE IS HEREBY GIVEN that the San Lorenzo Valley Water District has called a special meeting of the Lompico Oversight Committee to be held Thursday, **October 6, 2016 at 8:00 a.m.** at the old Lompico District Office Building, 11255 Lompico Rd, Lompico, California.

AGENDA

1. Convene Meeting/Roll Call
2. Oral Communications
This portion of the agenda is reserved for Oral Communications by the public for items which are not on the Agenda. Please understand that California law (The Brown Act) limits what the Committee can do regarding issues raised during Oral Communication. No action or discussion may occur on issues outside of those already listed on today's agenda. Any person may address the Committee at this time, on any subject that lies within the jurisdiction of the District. Normally, presentations must not exceed three (3) minutes in length, and individuals may only speak once during Oral Communications. Any Director may request that the matter be placed on a future agenda or staff may be directed to provide a brief response.
3. Old Business: None
Members of the public will be given the opportunity to address each scheduled item prior to Committee action. The Chairperson of the Committee may establish a time limit for members of the public to address the Committee on agenda items.
4. New Business:
Members of the public will be given the opportunity to address each scheduled item prior to Committee action. The Chairperson of the Committee may establish a time limit for members of the public to address the Committee on agenda items.
 - a. ASSESSMENT DISTRICT PROJECTS
Discussion by the Committee regarding the Assessment District projects.
 - b. LOMPICO SURCHARGE
Discussion by the Committee regarding the Lompico Surcharge.
 - c. DISPOSITION OF EXCESS CASH AT TIME OF MERGER
Discussion by the Committee regarding the disposition of excess cash at the time of the merger.
 - d. STATUS OF THE LOMPICO MERGER EXPENSES REPORT
Discussion by the Committee regarding the status of the Lompico merger expenses report.
 - e. TOUR OF THE FACILITIES
Discussion by the Committee regarding a tour of the facilities.
 - f. HOW TO ADDRESS GENERAL QUESTIONS AND CONCERNS FROM CUSTOMERS
Discussion by the Committee regarding how to address general questions and concerns from customers.
 - g. WATER MAIN REPAIRS AND LEAKAGE CONCERNS
Discussion by the Committee regarding water main repairs and leakage concerns.

- h. PLACEMENT OF LOMPICO SURCHARGE ON WATER BILL
Discussion by the Committee regarding placement of Lompico surcharge on the water bill.
5. Informational Material: None.
6. Adjournment

In compliance with the requirements of Title II of the American Disabilities Act of 1990, the San Lorenzo Valley Water District requires that any person in need of any type of special equipment, assistance or accommodation(s) in order to communicate at the District's Public Meeting can contact the District Office at (831) 338-2153 a minimum of 72 hours prior to the scheduled meeting.

Agenda documents, including materials related to an item on this agenda submitted to the Committee after distribution of the agenda packet, are available for public inspection and may be reviewed at the office of the District Secretary, 13060 Highway 9, Boulder Creek, CA 95006 during normal business hours. Such documents may also be available on the District website at www.slvwd.com subject to staff's ability to post the documents before the meeting.

Certification of Posting

I hereby certify that on September 30, 2016, I posted a copy of the foregoing agenda in the outside display case at the District Office, 13060 Highway 9, Boulder Creek, California, said time being at least 24 hours in advance of the special meeting of Lompico Oversight Committee of the San Lorenzo Valley Water District being held at the old Lompico Water District, Office Building 11255 Lompico Rd, Lompico, California. In compliance with California Government Code Section 54956.

Executed at Boulder Creek, California, on September 30, 2016.

Holly B. Morrison, District Secretary
San Lorenzo Valley Water District

San Lorenzo Valley Water District
Board of Directors
13060 Highway 9
Boulder Creek CA 95006-9119

General Manager, Mr. Brian Lee
District Legal Counsel, Mr. Marc Hynes

August 26, 2016

- **Implementation of Lompico Surcharge terms regarding paid debt**
- **Request for change in Lompico Surcharge ID on water bill**

Directors Randall Brown, Margaret Bruce, Charles Baughman, Eric Hammer and Gene Ratcliffe;
Mr. Brian Lee, and Mr. Marc Hynes,

I'm grateful that this year's vote in Lompico enabled the merger into San Lorenzo Valley Water District. Many people worked hard to make this possible, following an often rough path to get here. I am writing as having belonged to Lompico Water District's Citizens Advisory Committee since its start, actively involved in attending Liaison meetings, public meetings, and gathering information and getting details to Lompico customers regarding the merger. Having been part of this movement from the beginning, there are two items I feel must be immediately addressed. I know that the principals on your board and staff involved in forming the merger are no longer with the district, and that you needed time to catch up. I'm sure that once you understand the basis of these concerns, you will move forward to fixing these two items as quickly as possible. I appreciate your review of the following.

One of the four terms of the LAFCo agreement for merger, as set by San Lorenzo Valley Water District (SLVWD), is an additional charge to Lompico customers. It is commonly called the "Lompico Surcharge", in public meetings and past discussions; the LAFCo agreement calls it "Lompico Water Rates and Charges"; SLVWD now labels it an "operations" charge.

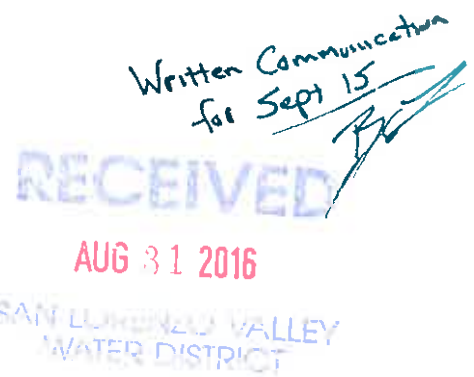
The surcharge was originally made up of two parts: 1) to collect an appropriate amount to complete payments on two Lompico outstanding debts, and 2) to make up the difference in income ("shortfall") due to Lompico customers traditionally low water use, and thus lower SLVWD revenue from water sales in this sector. In this letter I'm directing your attention to the first part concerning Lompico debt.

When the LAFCo agreement was written, Lompico County Water District (LCWD) owed a total of \$47,383.00 in long term debt; \$7247 to finish repayment of a State loan, and \$40,136 balance on a settlement with the former manager. SLVWD spread the collection of these funds over two years of the five-year surcharge, \$27,315 for year one, and \$20,068 for year two. As the merger vote was delayed, these balances changed as this debt continued to be paid off. Countering requests to revise the debt balances in the merger surcharge agreement as time passed, SLVWD said no, 1) they may want to pay off remaining debt at once, and still spread adjusted balance repayment over the first two years, and more recently, 2) that they felt altering this term on the LAFCo agreement would require starting all over with the LAFCo process, and thus surcharge debt reduction or removal would instead be done as a "sidebar agreement" to avoid further delays.

The inclusion of the debt repayment as a portion of the surcharge is what Lompico voters based their decision on. This is shown on LAFCo spreadsheets defining the surcharge, as presented at public meetings, and also as on SLVWD's website and presentations¹ prior to the final merger vote².

¹ <http://www.slvwd.com/lompico/Line%20Item%20Estimates%20May%209%202014.pdf> See character 50, about half way down

² <http://www.slvwd.com/lompico/Five%20Year%20Merger%20Pro%20Forma%20Budget.pdf> line 3, beginning 2014/15; merger year 1



By the time of the merger completion on June 1, 2016, both debts were paid in full. Lompico board president Lois Henry informed SLVWD General Manager and Board of this at your regular meeting on April 21, 2016; on April 26, as directed, at a meeting of the Financial Committee; and again to the Board at your regular meeting June 16, 2016. SLVWD retains all the Lompico financial records.

I bring to your attention that the debt portion of the surcharge has not been removed to date, and that this portion continues to be included in the charge on our SLVWD water bill. As an SLVWD customer, I'm concerned that this is building up an overcharge which will worsen unless corrected right away. Of the \$23.50/month Lompico Surcharge charged each Lompico customer in year one, about \$4.55 was intended for debt repayment. Since there is no longer debt to repay, and based on a 500 Lompico customer calculation, this will result in an overcharge of about \$10,000 to the September billing.

- My request is that the district

- 1) remove the debt portion from the Lompico surcharge on our water bills by the next billing, and
- 2) respond with a plan as to how this overcharge will be either returned or credited to Lompico customers as quickly as possible, and showing future debt portion surcharges (years one and two, per agreement) removed.

I would like this response in writing by September 30, 2016.

The second item of concern is the appearance of the surcharge on our water bill. SLVWD has another surcharge of \$1 per unit, a charge due to reduction of water use from customer conservation for the drought. This is charged to all SLVWD customers and was approved prior to the merger via a Proposition 218 vote. This appears on my bill (copy attached) as "Surcharge" in the upper portion. After the water use and basic charge subtotal, my billing shows a \$23.50 "Operating Charge", with no reference to Lompico. I feel this does not adequately and accurately indicate this as the revenue "shortfall" Surcharge only for Lompico customers. As described previously, the term most familiar to Lompico customers is "Lompico surcharge", while "Lompico Water Rate" is the term used in the LAFCo agreement; any similar description including the word "Lompico" would help customers to know this is unique to their water bill, not a universal base charge, and relates to revenue shortfall due to lower Lompico average water use, similar to SLVWD's existing drought surcharge.

- I would like the description of the charge clarified and Lompico tag added by the next water bill.

Thank you for reviewing my concerns and taking the next steps to fix these two items. I would be happy to provide further documentation gathered as part of the LCWD Citizens Advisory Committee work to define the surcharge. For this letter I have included water district legal counsel, as I see that he is responsible to ensure that all Lompico agreements are kept³. We have no other legal representation as SLVWD customers. I have copied LAFCo, as they can provide any backup documentation that may be needed, and County CAO Susan Mauriello, as these terms were a big part of the County Working Group merger review. Pertinent documents showing the debt as part of the surcharge are on the LAFCo website, and also on SLVWD's website. I have also copied the District Attorney's office and asked if they may be of help to you if any questions, as the LAFCo agreement gives SLVWD power to collect the outstanding debt via the surcharge, but not to increase the other portion, which unintended consequence may then be deemed a rate increase.

I have copied the SLVWD Lompico Oversight Committee, who will continue to oversee other portions of the merger agreement. I especially appreciate SLVWD General Manager Brian Lee's work with this committee, and hope that further clarification of the LAFCo terms and background will help in a smooth transition.

Sincerely,



Debra Loewen

Lompico

attached: copy of my last water bill; spreadsheet of budget and Surcharge calcs

Cc: LAFCo Santa Cruz County; District Attorney, Santa Cruz County; County CAO S Mauriello; SLVWD Lompico Oversight Committee.

³ <http://slvwd.com/Personnel/District%20Counsel%20Performance%20Objectives.pdf> item- Agreements

2014-2015

Table with columns for Index Code, Sub-Object, Sub-Object Title, and budget years FY 12/13 through FY 18/19. Rows are categorized into Expenditures (Salaries and Benefits, Services and Supplies) and Revenues (Taxes, Fines, Interest, Intergovernmental, etc.).

DEBT

Surcharge ->

Shortfall

Annual CFD Charges on Prop. Tax 0.2%/Graduated CFD Charges/Graduated/Converted to Bi-monthly Leopoldo Total Cost Bi-monthly Leopoldo Charge, Bi-Monthly, Per Connection



SAN LORENZO VALLEY WATER DISTRICT
 13060 HIGHWAY 9
 BOULDER CREEK CA 95006-9119
 PHONE: (831) 338-2153
 Office Hours: Monday - Friday 8:00 AM to 5:00 PM

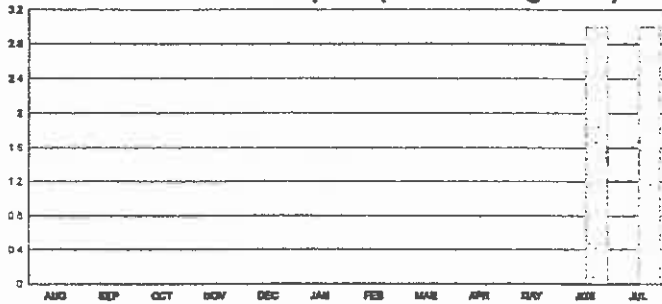
Ready, Set, Go! Be prepared for a wildfire, visit www.readyforwildfire.org for tips and more.

Deposits on account from Lompico will show up on this bill as a Deposit and Payment (net zero). SLVWD will refund deposits to your account after 1 yr of good payments.

CUSTOMER: [REDACTED]
ACCOUNT NUMBER: [REDACTED]
METER NUMBER/SIZE: UNK200 (5/8")
SERVICE ADDRESS: [REDACTED]
ROUTE NUMBER: 20
SERVICE TYPE: FLAT WATER
BILLING PERIOD: 07/01/2016 to 07/31/2016
BILL DATE: 07/20/2016
DUE DATE: 08/10/2016

READ PERIOD	PRIOR READ	CURRENT READ	USAGE
06/15/2016 TO 07/15/2016	600.00	610.00	3.00

Your Water Consumption (1 Unit = 748 gallons)



Average Gallons Per Day: **75** (Current Year) vs **0** (Previous Year)
 Percentage Change: **N/A**

Tier	Units	Unit Cost	Amount
1 Water	3.00	3.81	11.43
Surcharge	3.00	1.00	3.00
Basic Charge			34.00
Current Charges			71.93
Previous Balance Due			158.65
Operating Charge			23.50
Payment Received - THANK YOU			-71.93
Adjustments			-86.72
Total Amount Due			71.93

Please write your account number on your check, detach the payment stub and return with your payment.



SAN LORENZO VALLEY WATER DISTRICT
 13060 HIGHWAY 9
 BOULDER CREEK CA 95006-9119

ACCOUNT NUMBER: [REDACTED]
SERVICE ADDRESS: [REDACTED]
TOTAL AMOUNT DUE: 71.93

AMOUNT ENCLOSED:

LOR0721A
 4000000435 435/1



MAKE CHECKS PAYABLE TO:



SAN LORENZO VALLEY WATER DISTRICT
 13060 HIGHWAY 9
 BOULDER CREEK CA 95006-9119

Holly Morrison

From: Brian Lee
Sent: Tuesday, September 06, 2016 11:41 AM
To: Holly Morrison
Subject: FW: Your letter dated August 26, 2016

Correspondence for 9/15 Board Packet.

Brian C. Lee, District Manager - 831.338.2153
San Lorenzo Valley Water District
13060 Highway 9
Boulder Creek, CA 95006

From: [REDACTED]
Date: Friday, September 2, 2016 at 4:50 PM
To: Brian Lee <blee@slvwd.com>
Subject: Re: Your letter dated August 26, 2016

Appreciate the quick response- it will be great to see the Lompico surcharge identity changed right away on the bill- thank you.

You are right, the surcharge debt portion is about \$2275 per month, based on 500 charges. Multiply that by four months of billing = \$9100.

The actual number of billings is over 500 (do you know the final number?), so I rounded up to "about \$10k". The overage is growing with every billing, and is primarily why I think this needs to be taken care of asap.

Your suggestion to delay and defer this to the Lompico Oversight Committee is not acceptable for two reasons.

1. It is the Board's responsibility to follow the agreement, and to direct staff to do so.
2. It doesn't meet the September 30 deadline request for getting this resolved in writing.

SLVWD has always said "of course" when this came up in the past, that the debt would be removed from the surcharge if paid by Lompico earlier.

I think this just needs to happen and is something that slipped between the cracks in the process, which should have been fixed before the first billing even went out.

Truthfully, I don't see why the board has to review this yet again, unless they intend to modify the agreement. Likewise, no committee's opinion would have any bearing, plus you already referred this to a committee – Finance--prior to the merger, and nothing happened.

I request this be put on the agenda for discussion at the September 15 meeting, or in a Special Meeting prior to September 30th, rather than as correspondence, if you feel the board has to be involved in this administrative matter.

If it is the district's intention to modify the agreement and keep charging us the debt portion of the surcharge, this can be put in writing by September 30.

There doesn't seem to be anything to gain by further delay.

I think you could remove the debt portion of the surcharge at any time, as General Manager fulfilling the agreement.

If you are recommending that the board not remove the debt from the surcharge, I'd like to know this and your reasoning; I'm confident that once you have looked into this further, and talked with LAFCO, the County, and to others involved with forming the agreement, you will see this differently.

I appreciate any feedback on why the continued delay fixing the surcharge, and also your help to get this resolved.

Thanks

Debbie

From: [Brian Lee](#)

Sent: Friday, September 2, 2016 12:28 PM

To: [REDACTED]

Subject: Your letter dated August 26, 2016

Debra

The District has received your letters dated August 26, 2016 concerning the Lompico Surcharge. I will gladly keep your contact info private.

I have reviewed your concerns and will recommend that the Lompico Surcharge issue be placed on the next Lompico Oversight Committee agenda. I believe that the committee is the proper venue for continuing this discussion. Should the committee recommend moving it up to the Board for further discussion it will be placed on an appropriate Board agenda.

In addition, your letter to the Board will be included in the September 15 Board packet under correspondence. It will simply be informational at that meeting, with no discussion. But the Board will be able to see your letter and they may choose to take it up at a future meeting.

I hope you find this course of action acceptable.

One immediate question I have is regarding the overcharge calculation of \$10,000 stated in your letter. If, as you state, the loan payback originally accounted for \$4.55 of each monthly Lompico Surcharge, I calculate a total September 'overage' of \$2,275, not the \$10,000 stated in your letter.

$$500 \text{ bills} \times \$4.55/\text{bill} = \$2,275.$$

It will be important for the committee to understand how you calculated the \$10,000.

I don't have any problem with changing the description on the water bills to read 'Lompico Surcharge'. I will direct Accounting to make the change as soon as practical.

Finally, thank you for the kind words. I hope to continue living up to them. We may not always agree. But I will work hard to keep the discussion agreeable. 😊

Brian

Brian C. Lee, District Manager - 831.338.2153
San Lorenzo Valley Water District
13060 Highway 9
Boulder Creek, CA 95006

Holly Morrison

From: Brian Lee
Sent: Tuesday, September 06, 2016 11:41 AM
To: Holly Morrison
Subject: FW: Request for Assistance and Action

Correspondence for 9/15 Board Packet.

Brian C. Lee, District Manager - 831.338.2153
San Lorenzo Valley Water District
13060 Highway 9
Boulder Creek, CA 95006

From: "lfsolar@yahoo.com" <lfsolar@yahoo.com>
Date: Saturday, September 3, 2016 at 6:57 PM
To: Board of Directors <bod@slvwd.com>
Cc: Pat McCormick <Pat.McCormick@santacruzcounty.us>, Brian Lee <blee@slvwd.com>
Subject: Request for Assistance and Action

I will send a hard copy of the following this weekend.

I wished to you all to have time to review and research, as it seems uncertain this item will appear on an SLVWD board meeting agenda this month, and in hopes that this item will be taken care of by September 30th, in time for the next billing.

Debra

San Lorenzo Valley Water District
Randall Brown, Chair
Board of Directors
13060 Highway 9
Boulder Creek CA 95006-9119

September 3, 2016

Request for Assistance and Action
Re: Lompico paid debt and Surcharge

Mr. Brown,

I recently wrote a letter to the Board, General Manager, and District Counsel, dated August 26, asking for the district's review of the Lompico paid long-term debt and updating of the monthly surcharge. SLVWD board was notified by Lompico Water District that these debts were paid in full in April 2016, and again in June, for a total of three times, with the appropriate paperwork. According to terms and conditions presented at public meetings and online by LAFCO and SLVWD, once the debt was paid it would immediately be removed from the surcharge by SLVWD. However, five months after this notification the debt portion of the surcharge still remains included in SLVWD water bill to Lompico customers.

Because of this long delay, I've asked in my letter that the board step in to review this matter and provide a written response of how the overcharge will be resolved by September 30th. I feel all the information needed was provided to

the district prior to the merger, and it falls to the board to act in a timely manner if the surcharge remains unadjusted. I'd like to ask for your help as chair of the board to get this addressed and resolved.

The only portion I wish to discuss is the debt repayment, which is a fixed cost in addition to and separate from pro forma expense calculations made by SLVWD. If my letter on this topic is placed on the board's agenda I request it be made clear this is a discussion only about the separate debt repayment portion being removed from the surcharge, and not about Lompico expenses and the operations budget. Those remain unaffected by this action.

I don't believe removing the debt portion from the surcharge requires a board action, since it was predetermined as part of the merger agreement, but staff may need direction as to how to adjust, along with the overcharge and write up a plan. I don't have the exact number of services billed, and it would have to be calculated on actual, but as an example: The total debt recovery in Year One was to be \$27,315. At 500 Lompico customers the debt portion of the \$23.50 Year One surcharge is \$4.55 a month. Adjusting by removal of paid debt makes it \$18.95.

$$\$23.50 - \$4.55 = \$18.95$$

As of the September bill, if not fixed by then, there will be an overcharge of 4 months, or \$18.20 each customer.

$$\$4.55 \times 4 = \$18.20$$

Assuming this correction can go into effect right away, the district could credit the \$18.20 to the October water bill, and then resume the remainder of Year One at \$18.95.

The plan should also detail the change in Year Two. The total debt recovery in Year Two was to be \$20,068. At 500 Lompico customers the debt portion of the \$ 19.50 Year One surcharge is \$3.35 a month. Adjusting the surcharge by removal of paid debt makes it \$ 15.95 per month for all of Year Two.

$$\$19.50 - \$3.55 = \$15.95$$

There is no further debt portion on the Lompico surcharge after Year Two.

I sincerely wish to work amicably with the district in getting our billing resolved as soon as possible, and appreciate your help. If there is need for clarification of the terms and amounts, please contact Patrick McCormick at LAFCo.

Thank you,

Debra Loewen
Lompico 335-7963

Cc: Brian Lee, General Manager; and Patrick McCormick LAFCo.