

Agenda Item No. 5

SACRAMENTO LOCAL AGENCY FORMATION COMMISSION

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November 2, 2011

TO: Sacramento Local Agency Formation Commission
FROM: Peter Brundage, Executive Officer
RE: **Rio Linda/Elverta Community Water District – Draft
Municipal Service Review – Report Back (L AFC 07-10)**

RECOMMENDATION

1. Receive and file status report.
2. Direct staff to resume evaluation of reorganization options for the Rio Linda Elverta Community Water District.

DISCUSSION

This report summarizes the actions, developments, and events related to the Rio Linda Elverta Community Water District that have occurred since October 5, 2011.

At this time, the primary concern associated with the RLECWD pertains to the current governance structure (Board of Directors) and its inability to function in an orderly and professional manner. There is consistently lack of respect between Board Members and personal issues between Board Members continue to be the focus of discussion and distraction at Board meetings. The tension has escalated in a relatively short period of time.

While it is natural to have varied perspectives and to agree to disagree, the present level of distain exhibited consistently results in a lack of a shared commitment towards developing an environment to work together in a professional manner to resolve the immediate issues facing the District's future. Without commitment and cooperation from the Board of Directors, it will likely be difficult to improve the organizational culture and behavior. Simply, chaos fuels chaos and constantly

disrupts the mission of the organization. This pattern has repeated itself at least since 1993.

On October 24, 2011, staff met with Director Cathy Hood, Director Frank Caron, and Mary Henrici, General Manager, to discuss the following issues:

I. Status of Recall Election

On October 11, 2011, a petition was authorized to be circulated to recall Director Frank Caron. Approximately 2,034 valid signatures (25 percent of the registered voters) will be required in order for the Registrar of Voters to call an election. The petitioners have 90 days from October 11, 2011 to collect the signatures. If sufficient signatures are obtained the recall election could be held on the June, 2012 ballot (approximate cost \$45,000).

II. Progress of Well Construction

Well No. 15

The well can produce approximately 2,800 gpm. The water quality is good and no treatment will be required. Test results have been submitted to CDPH. The higher than expected capacity will require the District to upgrade the discharge piping in order to distribute the higher production capacity of this well. The depth of this well is located in the mid-aquifer.

Construction of the production well should be complete by the Spring of 2012 (construction of the pump, electrical, and connection to the District's water system). The District needs to comply with applicable federal wetland construction permits and requirements. Documentation and fees have been submitted to the regulatory agencies for approval. Once permits are issued, the well and pipeline can be completed.

The District has completed construction of the pipeline at a cost of approximately \$1 million.

Well No. 14

The District is evaluating whether or not to construct a test well on Well Site No. 14 at the same depth as Well 15 to determine if the water quality at this existing location would also not require treatment. The District is meeting with California Department of Public Health to determine if it will be possible to amend the scope of work and funding agreement to construct another well on this site in lieu of Well No. 16. The district has provided supplemental environmental documentation.

The District owns this well site and it is located relatively close to the District's water distribution pipelines.

If approved by the CDPH, the District will construct a test well to evaluate water quality and supply. If there is good water production a third well may not be needed if a water storage tank can be constructed on-site. The District will continue to evaluate its options to economically meet the CDPH Compliance requirements.

Well No. 16 and 17

Well No. 16 will not be purchased by the District. The property owner has rescinded their offer to sell a well site to the District. The District has paid for and completed the required studies, and consequently, these sunk costs constitute a loss.

Well No. 17 may not be an appropriate well site because it is relatively small and located between two residential houses that are on septic systems. The District is evaluating its options. This site has not yet been purchased by the District.

Reactivation of Well No. 3

The District plans to reactivate Well No. 3 to be used on an emergency basis. The District estimates the cost to be approximately \$10,000 to inspect and repair the pump and related facilities to make this well operational. The well produces approximately 500 gpm and can only be used according to CDPH regulations. This well would be used to maintain system water pressure.

III. Status of CDPH Compliance Orders

This District has provided the CDPH with the required reports and currently, there are no outstanding issues. The District plans to flush the water lines this fall as part of on-going scheduled system maintenance. CDPH has completed a Bi-Annual inspection of the District's facilities. This report is not yet available but it preliminarily indicates that CDPH did not find any significant issues with the water system. We have requested a copy of the final report when it is available.

IV. Sacramento Suburban Water District Interconnection

The interconnection between Sacramento Suburban Water District and Rio Linda Elverta Community Water District has been converted to an automatic valve. If water pressure in the Rio Linda Elverta Community Water District falls below 31 psi the valve opens to maintain minimum water pressure in the RLECWD system. The valve will close automatically if water pressure exceeds 35 psi.

The valve has only been activated a few times during the last several months indicating the District has been able to maintain water pressure during the critical summer months.

Basically, water pressure and quality remain adequate.

V. Status of District Operations

District Financial Condition

The FY 2009-10 Financial Audit has not yet been completed. The audit is underway. The District is still having a hard time getting financial information and records impounded by the Grand Jury and District Attorney's Office to complete reconciliation of accounting information. Also, because of past accounting practices it may be difficult to provide the required information.

The District recently paid most of its past due bills. The District is still attempting to reconcile how much should be in the capital construction fund and its General Fund, i.e. was money taken from the Capital Construction Fund and transferred to the General Fund and used for operation and maintenance expenses. The attached Balance Sheet dated October 24, 2011 provides a breakdown of cash on hand. In addition, the District has submitted a reimbursement claim on the State revolving loan. Approximately \$400,000 will be available to reimburse the District's General Fund for Capital Improvements that have been incurred and paid out of the General Fund.

The District continues to incur significant legal counsel expenses every month. This has been a difficult issue to resolve because of the contract terms.

Staffing and Employee Relations

The District is still negotiating a Memorandum of Understanding to reach an agreement with the Union and is currently operating under the Last, Best and Final offer. The District and Union continue to negotiate an agreement. No final agreement has been reached.

Pending Litigation

The District continues to have a number of active litigation and claims related to employment issues.

VI. District Operations

The General Manager's reports for September 18 and October 17, 2011 are attached highlighting the status of various district operations. Routine well site inspections are being made in order to keep on top of problems and in order to implement preventative maintenance activities.

VII. Governance Issues

Based on governance issues related to this Board and previous Boards, the organizational structure and stability remains extremely fragile and fractured. Recently, the dissention and acrimony between Board Members has once again escalated. The Board is not

functioning in a professional manner and it is very difficult to conduct an orderly and effective Board meeting. Director Martin Smith has resigned from the Board effective October 24, 2011. (Note: The Board may appoint a replacement pursuant to Government Code Section 1780).

As previously mentioned, a recall petition is being circulated to recall Director Frank Caron. In less than a year, the Board of Directors composition is changing which could once again negatively impact the organization.

Even though a great deal of progress has been made to resolve operational issues, the actions by the Board of Directors continue to negatively impact employees and potentially ratepayers.

Board members continue to fuel the fire and create a difficult adversarial environment with commensurate tensions. The actions by this Board and previous Boards make it extremely difficult to resolve the operational problems and function in a relatively normal manner. It appears that governance issues and actions by the Board of Directors have plagued the District for many years. This pattern of recall, resignations, and Board dissention continues to repeat itself over and over.

This creates an impossible situation for any General Manager to effectively operate a public water system when there is lack of Board stability and reasonableness. It is a behavior pattern and culture that has developed over decades and has not improved.

I have attached a letter dated July 23, 1993 from John O' Farrell, LAFCo Executive Officer to the Rio Linda Elverta Water District that was written in response to several newspaper articles regarding difficult administrative and political problems at the Rio Linda Water District.

VIII. Next Steps

LAFCo staff will continue to work with CDPH and the District to monitor the situation. We will keep the Commission informed.

Respectfully Submitted;

SACRAMENTO LOCAL AGENCY FORMATION COMMISSION

Peter Brundage,
Executive Officer

cc: Board of Directors and General Manager RLECWD
California Department of Public Health
Sacramento Grand Jury