

**SACRAMENTO LOCAL AGENCY FORMATION COMMISSION**

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(916) 874-6458*

**August 3, 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 (LAFC 07-10)**

**RECOMMENDATION**

1. Receive and file status report.

**DISCUSSION**

This report summarizes the actions, developments, and events related to the Rio Linda Elverta Community Water District that have occurred since June 1, 2011.

On July 19, 2011, a meeting was held with Jerry Fox, Frank Caron, Roxanne Cargill (CHDP), Mary Henrici, General Manager, Nancy Miller, Don Lockhart, and Peter Brundage to discuss the following issues:

**I. Progress on 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. The District needs to get clearance for a wetlands permit. Documentation and fees have been

submitted to the regulatory agencies for approval. Once permits are issued, the well and pipeline can be completed.

#### **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 not require treatment. The District acknowledges that this option will require approval from CDPH. However, there could be some cost savings since the District already owns the well site and has made some site improvements.

#### **Well No. 16 and 17**

Well No. 16 has not yet been purchased. The District is in negotiations with the property owner. However, the property owner may request the District to purchase the entire parcel in addition to the proposed well site. The District will be holding a public hearing on this issue.

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. Also, this site has not yet been purchased by the District.

### **II. Status of CDPH State Funding Agreement**

The loan agreement with the State has been executed and finalized. A few loose ends are being cleaned up but the funding has been secured. The District did not enter into a bridge loan. All costs related to the construction of the Well No. 15 will be paid from the State loan.

### **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 and CDPH will be conducting a regular inspection of the water system during the next several months.

### **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.

## **V. Status of District Operations**

### **District Financial Condition**

The FY 2009-10 Financial Audit has not yet been completed. The audit is underway. No additional information is available.

The District recently paid approximately 85 percent of its past due bills and the remaining 15 percent of the outstanding invoices relate to the well construction. Once the claiming procedures have been finalized these invoices will be submitted for reimbursement and payment to vendors and contractors will be made.

### **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. Mary Henrici has completed a salary and benefit survey that indicates the District is not paying competitive salary and benefits. This could have an impact on recruitment of staff.

### **Pending Litigation**

The Dillon litigation has been resolved and the District received reimbursement of approximately \$102,000 from their insurance carrier to cover legal costs to defend the lawsuit.

The Joe Sherrill lawsuit has been submitted to their insurance carrier to defend and/or cover the district's legal costs.

The District Attorney's Office turned its investigation of the District's financial records to the FBI.

## **VI. District Response to Sacramento Grand Jury**

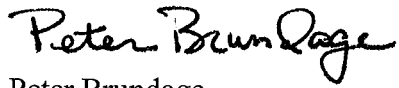
The District's response to the Sacramento Grand Jury is attached along with a Manager Report of actions taken from June 1, 2011 to July 11, 2011.

## **VII. Next Steps**

LAFCo staff will continue to work with CDPH and the District to monitor the situation.

Respectfully Submitted;

**SACRAMENTO LOCAL AGENCY FORMATION COMMISSION**

A handwritten signature in black ink that reads "Peter Brundage". The signature is written in a cursive, slightly slanted style.

Peter Brundage,  
Executive Officer

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

RECEIVED

JUL 19 2011

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# RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT



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July 18, 2011

Hon. Steve White, Presiding Judge

720 9<sup>th</sup> St. Dept 47

Sacramento, Ca. 95814

Honorable Judge Whiting ,

Please find below the Rio Linda/Elverta Community Water District response to the 2010-11 Grand Jury report

Finding #1.1 The Board of Directors is receiving training from the California Rural Water Assoc. There are two classes titled How to be a Board member and Board roles and responsibilities which are being scheduled at this time.

Finding 1.2 The new General Manager has met with the Lafco Board and requested 6 months to get things in order before a peer review is done if needed. Lafco has agreed.

Finding 1.3 The District has a policy guide in effect it is being updated by 2 board members 1 public member and the new General Manager. The new policy guide will be reviewed by the entire Board and approved before it is put into effect.

Finding 2.1 The backlog of minutes has been put on the highest priority for the office staff to complete. There are only a few left to bring the minutes up to current day.

Finding 2.2 Minutes and Resolutions are now posted as soon as they are approved by the Board of Directors.

Finding 3.1 The Board will create a supportive climate for the Manager to perform effectively. The District has hired a General Manager with many years of experience in all phases of the water industry including 18 years of management experience at another services district.

Finding 4.1 The General Manager has completed a wage and benefit survey of similar agencies in the area. She is currently trying to determine appropriate staffing for our agency.

Finding 4.2 The District has been and will continue to discuss the labor negotiations at every meeting until they are finalized. The current version of the labor negotiation is almost complete and it is hoped that this will be the last version necessary for the dispute to be resolved.

Finding 4.3 The first thing the Manager did when accepting the position was review current job descriptions versus duties with staff and is in the process of updating the job descriptions.

Finding 4.4 The General Manager will perform annual performance evaluations before the annual wage review is done to determine if staff has performed their duties as described and is eligible for a wage increase.

Finding 5.1 The Board , staff and General Manager are trying very hard to restore mutual respect, trust and confidence.

Finding 5.2 Micro-management was a problem in the past the new Board has hired a new General Manager who is eliminating all micro-management.

Finding 6.1 Our new bookkeeper has a 4 yr bachelors degree concentrating in accounting, has worked 19 yrs for the Federal Government as a financial analyst, been the controller of 2 private businesses and worked for 1 ½ yrs as junior accountant in a CPA firm. She is also a certified fraud examiner.

Finding 6.2 Our 2009-10 audit is almost complete per our auditor and our new bookkeeper is currently updating all of the accounting records.

Finding 7.1 The new Manager has already prepared a preliminary budget for the current fiscal year it will be finalized at a public hearing before our August board meeting. It will be reviewed monthly and revised if necessary quarterly.

Finding 7.2 The District does provide monthly budgeted versus annual figures for the Board's review beginning 7/1/11 the beginning of the new fiscal year.

Find 7.3 Since the new manager has been here she reviews accounts payable aging schedules weekly.

Finding 7.4 The District is preparing Comprehensive Annual Financial Reports for the fiscal year ending 2010-11. We will be scheduling the audit for 2010-11 as soon as the audit for fiscal year 2009-10 is complete.

Finding 8.1 The District Bookkeeper will be compiling a district accounting policies and procedures manual as soon as she completes updating the accounting records.

Finding 9.1 Our accounting firm Richardson & Co. has already been assigned to do a forensic audit of our bank accounts for the last 5 years.

Finding 9.2 The District Attorney is currently in the middle of investigating the personal use of the district's credit card.

Finding 11.1 The District feels that the above noted remedies to the Grand Jury's findings will be implemented and that there will be no need for the District to be put into receivership.

We hope that these answers to the Grand Jury's findings are sufficient. Please feel free to contact me if you need any additional information on the responses presented above.

Sincerely,

Mary Henrici  
General Manager  
Rio Linda/Elverta  
Community Water District

Courtney Caron  
Board President  
Rio Linda/Elverta  
Community Water District

Manager Report

6/1/11 to 6/16/11

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Over the past 2 weeks there has been much activity at the Rio Linda/Elverta CWD.

6/1/11 I met with the LAFCO Commission the First day on the job and introduced myself. They expressed their concerns regarding the current status of the District and once again some of the commissioners recommended peer review. I had asked for additional time to review our current situation and then if they think a peer review would be beneficial. I would agree with the process. There may be something I have not addressed . I requested 6 months.

Later that evening there was an attempt to have a Board meeting. It turned out that there was not a quorum present but the preliminary budget was discussed with the public.

Later that evening Ravi Mehta and I discussed the pending items that the Board has been discussing in closed session .

6/2/11 Met with Jim Carson and Pat about what the system needs are what is the current status of the SRF project ,etc.

6/6/11 Michelle and I met with Calif. Dept of Health and went over payment request requirements with Annette Dobie. Met with Mary Harris, Bob Blanchard and the Director of the Parks and Recreation District.

6/7/11 I met with the union Representative Vic Shada and Ravi Mehta. We discussed the current status of the MOU and went through employee files with each employee who was available per their request.

6/8/11 I met with John Woodling Executive Director of both SGA and RWA and he told me about both of the agencies and their roles in the Sacramento area.

6/9/11 I went to the SGA meeting and hear about the events currently of interest in the area. I also met with 3 consultants 3 Board members from other agencies and at least 6 other GM's

I also met with Mike Johnson of Premier Security and Matt of Sentinel technology to discuss how the systems work together and what is needed to get the security system to be able to be accessed remotely by staff. An additional I/P address is being obtained from Covad who is now Megapath our internet provider.

6/15/11 Met with Chris Brown of Wells Fargo governmental services. We talked of the bridge loan, payroll program, company credit cards, account administration, new SRF loan repayment account.

6/16/11 Met with Jim Carson and reviewed wells 15, 16, and 17 plans and proposed revisions. Sara was also invited but she was detained we will be meeting again on the 22<sup>nd</sup> of June.



**Manager Report**  
**6-17-11 to 7-12-2011**

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Eight phone lines were terminated saving the district \$293.00 per month or \$3,500.00 per year. These were not needed anymore since we have a scada system that monitors all of our well sites.

1 garbage bin has been removed saving \$516.00 per year

Our billing paper source has been changed savings of \$1,188.00 per year.

RWA has forgiven \$4,361.00 of our 2010-11 billing because I asked them to consider the fact that we did not use that part of their service. I applied the savings to a part of our SGA billing

I asked staff to recycle yard salvage and we received \$2,700 in income from the recycler.

It has been determined by Thrasher Brothers that our 1997 Ford pickup needs transmission and air conditioning repairs estimated amount \$2,900.00

6/22/11 met with Affinity and Dominichelli engineering to discuss plans on wells 15, 16 and 17 and determine if there were any design changes that were needed. I had determined that it would not be necessary to pave the whole lot at well 15 and since there were no chemicals needed beyond chlorine that we could probably size down the building. Sara said that she would bring over the plans for well 17 that had considered a smaller building for my review at a later date. The area that would be wrought iron fenced was also discussed. I would like to include a perimeter fence around the well and structures of iron as originally proposed but suggested that we could use a less costly fence for the rest of the property as it is very large.

I am currently working on getting the District a bulk mail permit that should save us at least \$5,000.00 per year.

Mr. Carson and I met with Tesco the company that provides our scada system and discussed what items we would like to upgrade on our scada server to coincide with our new wells 15 and 16. These services will have to coincide with the construction of the wells in order for them to work correctly. The Tesco Representative is providing us a quote for the services to be included in our SRF project.

6/23/11 I met with Rob Roscoe of Sac Suburban for the first time. We discussed the history of our two districts and the past agencies that were Sac Suburban. He also enlightened me regarding the requirements of PF8 and the Regional Water Authorities mandate that all agencies in the valley receive surface and groundwater.

6/23 and 27/11 I visited and evaluated all of our well sites for maintenance and safety hazards. I will try to get all of those issues corrected as soon as possible.

6/29/11 met with Jack Nolan regarding the changes he wants to make to the contract with Dyer. I requested he put all of his changes in one document, have it be reviewed and agreed upon by both Ravi and Mr. Klink and then I will represent the document to the Board.

**I signed the loan agreement with CDPH on June 29, 2011** There are several other papers we need to give to them before we can submit a payment request but the money is now allocated and funded to our project .

7/5/11 I met with California Bank and Trust on 7/6/11. New bank cards will need to be signed by all to add me to the accounts.

7/11/11 met with Measurement Control systems. They are our supplier for meters and radio read equipment. They are no longer going to be the distributor for Neptune so they are having a close out sale of sort to get rid of their stuff. They have sent me a quote on parts to outfit another route of meters with radio reads.

I have also reinstated daily rounds to all well sites which is standard practice for the water industry. It was actually a very good thing I did it turns out the first weekend that rounds were done a SMUD power meter blew up in the control box leaving well 7 useless and one of our chlorinators quit working at another site. SMUD was immediately notified to cut the power to well 7 and service repair was arranged. The chlorinator was able to be fixed and safe water was able to be restored due to the man that came in on the weekend to check the pumps. I am asking whoever is on call to leave 2 hours early on Monday and Friday in order to cut down on overtime costs. Sometimes we are not able to avoid overtime but in general it is working well. One particular day that was a problem was Tuesday 7/5/11 at 3 a.m. there was a saddle that blew off a mainline flooding the street in all directions. All staff was out in the field for 4 hours repairing the mainline and saddle connection in the middle of the night so there was overtime accrued during that day.

All in all it has been a very productive month. Many things have broken but due to the age of our system that is not uncommon. Please see the operations report for more details on system maintenance and repairs.