

Agenda Item No. 5

SACRAMENTO LOCAL AGENCY FORMATION COMMISSION

*1112 I Street, Suite #100
Sacramento, California 95814
(916) 874-6458*

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 (LAFC 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.

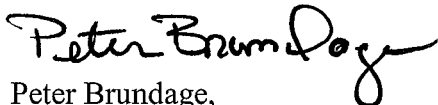
I have attached a letter dated July 23, 1993 from John O' Farrell, LAFCo Executive Officer to the Rio Linda Elverta Water District that was written in response to several newspaper articles regarding difficult administrative and political problems at the Rio Linda Water District.

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

Rio Linda/Elverta Community Water District
Balance Sheet
As of October 24, 2011

Oct 24, 11

ASSETS

Current Assets

Checking/Savings

1012 · CA Bank & Trust Secured CC	15,000.00
1009 · CA Bank & Trust Operating	58,197.12
1033 · CA Bank & Trust Capital Improve	12,463.75
1032 · CA Bank & Trust {Trust acct}	1,300.00
1011 · Wells Fargo Operating Account	30,962.01
1031 · Well Fargo Security Deposit	1,787.90
1001 · Wells Fargo Surcharge Account	19,361.35
1000 · CA Bank & Trust-Surcharge	75,760.85
1030 · CA Bank & Trust-Security	36,103.70
1040 · Bank of New York-Trust Account	
1044 · Bank of NY-Reserve Fund	242,484.86
1040 · Bank of New York-Trust Account - Other	556.41
Total 1040 · Bank of New York-Trust Account	<u>243,041.27</u>
1050 · LAIF	
1051 · Restricted for GASB 45	15,400.38
Total 1050 · LAIF	<u>15,400.38</u>
Total Checking/Savings	509,378.33

Manager Report

For September 18, 2011 meeting

An employee got injured while opening a gate. He was off work for 2 weeks and was just put back on full duty September 13, 2011. Because of this I have asked Jim Carson to get some bids for gate rehabilitation at our well sites. There are several gates that need fixing. I know some of you think the guys can just do that type of work but with an injury and our insurance agency wanted to know that the issue has been corrected I felt that it would be better to at least get quotes from professional gate and fence installation companies. The bids will be presented at the next meeting of the Board.

August 10, 2011 I attended a Webinar training on ethics.

August 11, 2011 attended SGA meeting with Director Spicer-Johnson. We learned about the changes in the groundwater levels and contamination plume movements in the valley over the past 10 years

Later that day I met with Sandra of Californis Bank and Trust who installed the new check scanning software and went over maintenance of the machine with staff so it will perform better.

I met with Jim Carson August 15, 2011 for an update on his status of obtaining right of ways for disposal of well 15 water that is pumped to waste. We also discussed other project oriented issues.

August 16, 2011 met with Wayne of the Parks District and discussed the possibility of installing a surveillance camera in our yard to overlook the park and part of our property. He will get back with me when his Board determines where they would like to put cameras if there is a need for our help. We also toured the drought tolerant garden that was planted several years ago. It has not been maintained and I am currently looking for a map that showed the original plantings so we may determine what should and should not be there.

August 17, 2011 We had a preconstruction bid conference with prospective contractors who wish to bid on the well 15 pipeline project. There was a large turnout while should mean some competitive bidding. Several questions were asked and there have been 3 addendums to the bid packet since the original plans went out.

August 18, 2011 We had our biannual inspection from the State Health Department. I had asked Salvador to note any deficiencies for me so I may address them promptly. He noted a few small items that need correction at the well sites. Our official report from him should be coming soon.

The person who inspects our compressed air tank also came by that day to certify that the tank is in an approved tank per our OSHA citation. It turns out the tank was not ASME certified so it had to be removed and another one that is ASME certified purchased. This was done in order to comply with our OSHA citation which is still pending. I have asked for a new inspection to hopefully get this matter settled.

August 23, 2011 met with Jim Carson and Larry Ernst of Woods Rogers and discussed the area hydrologic groundwater profile of the Sacramento valley floor. We also discussed the history of the valley and determination in the past not to use tanks versus today's philosophy all in all it was very interesting. Mr.

Ernst has been one of the designers of many of the wells in the area so he has a lot of laboratory data on wells in our area.

August 30, 2011 Met with Mark Nugent General Manager of Carmichael Water District. We discussed the politics of the area, labor contract negotiation procedure as part of his staff is also Union and several other things that pertain to our industry. He has offered a staff member at his cost to help with backflow device testing as we are currently 1 person short if I need them.

September 1, Met with Cintas regarding our first aid and CPR needs.

September 6, 2011 received bulk mail permit so we may pay less expensive postage. Even without presorting we save \$115.00 per mailing. When the presort mailing software is up and running we will save 0.12 per letter or \$530.00 per bill cycle.

On September 7, 2011 there was a bid opening for the pipeline project at our office. The apparent low bidder was Vinciguerra at \$1,015,220.00. Sara has more to report on that item.

After a discussion with our District Counsel to make sure I would not be breaking any laws or my contract requirements I have decided that I am running for office on the Board I used to work under. Typically there are no candidates beyond the incumbents but this year there are and I have been requested to run for office so have put my hat in the ring. Their meetings are at 6:30 in the evening and only once a month so it should not interfere with my work here at all.

September 8, 2011 RWA meeting in Carmichael: The group voted on a new person to be on the Executive Board, it is Barbara Sedgwick. The group also voted on a new Vice-President Pam Tobin won the nomination by default. No one else wanted the job. There was a motion on the table to approve the Executive Director's pay increase to the amount of \$164,832.00 with a \$3,000.00 merit increase. It died for lack of a quorum of positive votes. This matter will be brought up again at the next meeting of the group. It was noted the Executive Director's wage is in the bottom 17% for people in his position.

The Integrated Water Management Plan is losing its funding from the Army Corp of Engineers.

They also discussed public outreach on the Delta Plan.

On September 13, 2011 I met with a document shredding company to get pricing on destruction of our documents that have been retained beyond the dates in our Records Retention Policy.

Lafco's regularly scheduled meeting was cancelled but there was a subcommittee meeting on September 14, 2011. I will report on that meeting next month as this report needs to go out before I go to that meeting.

Manager Report

For October 17, 2011 meeting

The holidays are fast approaching and I would like to ask the Board to take vacation the week before and after Christmas.

On September 14, 2011 there was a Lafco subcommittee meeting. The following items were discussed: They asked about the current status of the recall election. The district's current status on our construction project, current status of CDPH compliance orders, the amount of water usage on our Sacramento Suburban intertie. The District's financial condition (i.e. has audit been completed, large legal bills and bills being paid out of appropriate funds in the past). And the status of our employee labor negotiations. It was noted that our litigation with Mr. Sherrill will be covered by our insurance carrier however any settlement would have to be paid by the District.

September 15, 2011 The Regional Engineer, District Engineer and our inspector from CDPH came and walked the well 14 site. They also discussed the items they need in order to process a change order for the District to drill a well at that site. They had given our engineers until 10/10/11 to bring them the information needed.

September 16, 2011 I meet with a representative from ATT regarding our phone system and what can be done to reduce the bill. I am waiting for a response from ATT. I have also received a quote from Comcast to provide phone service.

September 20, 2011 I met with the District Attorney and procured copies of documents so we may try to finish our 2009/10 audit. Later that day I met with our Engineer and Contractor regarding our Well 15 pipeline job. The purpose of this meeting was to review the lines of communication for the project and specific contract requirements including a labor compliance discussion and information regarding protection of the wetland areas. Even later that day I spoke with Mr. Alberts regarding a service for his property. It was determined that he could pay the contractor directly if he wants a service on his property.

September 21, 2011 I went to a town hall meeting County Supervisors Phil Serna and Roberta Mac Glashon were there. It was noted that the redistricting of our area would take effect approximately the end of October.

September 27, 2011 I went to a RWA evapotranspiration class and learned about how they calculated water used by trees and plants to help determine water budgets in golf courses and parks.

September 29, 2011 I spent several hours at the DMV because I have determined that the District has been in possession of a vehicle for the past 2 years that is not registered. A check is being cut at this meeting so I may go back and get this matter resolved.

October 4, 2011 I had the first weekly meeting with the pipeline Contractor. We discussed the status of the project and items that were of concern to the District, County and Contractor.

October 5, 2011 I met with Pete Minghan of Unison. Unison is interested in purchasing our tower leases. I told him to prepare a proposal and submit it to me so I may present it to the Board. Later that evening I went to the Lafco meeting. I updated the Board on the current status of our project, financial situation, Sac Suburban water usage and CDPH compliance.

October 6, 2011 I went to a Seminar put on by the Department of Labor regarding prevailing wage rates and how to determine conformance if there is not a wage rate available.

October 7, 2011 I sent 3 of the staff to first aid/CPR training. Our Urban Water Management Plan Best Management Practices notes that we have staff trained in first aid/CPR this training is also recommended by OSHA and insurance carriers.

October 11, 2011 Pat and I had our second weekly meeting with the Contractor, the County, our Engineers and myself. We discussed the status of the project and items that were of concern to the District, County and Contractor.



SACRAMENTO LOCAL AGENCY FORMATION COMMISSION

Staff

John S. O'Farrell
Executive Officer

Marilyn Ann Flemmer
Commission Clerk

Peter Brundage
Staff Analyst

Paul J. Hahn
Staff Analyst

July 23, 1993

Commission

Public Members
Roseanné Chamberlain
John W. Jachens, *Alternate*

City Members
George E. "Bud" Hannaford
Lyla K. Ferris
Marian Lawrence, *Alternate*

County Members
C. Tobias Johnson
Illa Collin
Grantland Johnson, *Alternate*

Special District Members
Hal D. Bartholomew
William Shelton
Barry P. Brown, *Alternate*

Mr. Michael Brady, President
Board of Directors
c/o Ms. Carol Lincoln, General Manager
RIO LINDA WATER DISTRICT
P.O. Box 400
Rio Linda, CA 95673

Dear Mr. Brady and Members of the Board:

Recent stories in the Sacramento Union and the Rio Linda World indicate the Rio Linda Water District is experiencing some very difficult administrative and political problems.

The purpose of this communication is to offer your Administration and Board any assistance you may require should your District consider reorganization or consolidation with another agency as one means of dealing with this troublesome situation. If LAFCo staff can be of any assistance in the analysis and review of alternative organizational structures, the examination of the advantages and disadvantages of reorganization vs. consolidation, or simply explain the process to you, we will be happy to assist.

LAFCo staff can provide an objective analysis and suggestions which will allow your Administration and Board to make an informed decision, a decision which will be in the best interests of the District, its employees and its customers.

Over the years, several fire and park districts have reorganized in Sacramento County. LAFCo has been able to assist in minimizing negative impacts to each of the Boards of Directors, the employees, and the customers in these reorganizations. In most cases, reorganization has improved services to customers and improved employee benefits at the same time. Generally, LAFCo supports the consolidation of like services when feasible and in the best interests of all parties.

Please call me at 440-6458 if you have any further questions, or would like additional information. I will be happy to meet with you or Ms. Carol Lincoln at your convenience to further discuss this process, should you desire.

Very truly yours,

SACRAMENTO LOCAL AGENCY FORMATION COMMISSION



John O'Farrell
Executive Officer

PB:Maf

cc: LAFCo
Carol Lincoln
Dwight Kramer