

SACRAMENTO LOCAL AGENCY FORMATION COMMISSION

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

June 6, 2012

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

Receive and file status report.

Overall the District continues to provide adequate water service to the community and progress is being made to address the water supply and water quality issues. The following summarizes the significant issues and concerns that continue to exist:

1. Difficulty related to Board meetings;
2. Minimal cash flow to build up a financial reserve; and
3. Litigation and related legal costs.

DISCUSSION

This report summarizes the actions, developments, and events related to the Rio Linda Elverta Community Water District that have occurred since May 2, 2012.

I. Board of Directors

The Board of Directors approved Mary Henrici's contract for a term of 2 years and 1 month commencing June 1, 2012.

II. Progress of Well and Pipeline Construction

Well No. 15

The District has completed drilling Well No. 15 and completed construction of the pipeline. The well is not operational and will be completed by the Spring of 2013 because construction is not permitted in wetland areas between October 15th and April 15th. Optimistically, this well could be operational by the Fall of 2012. The District has met with the contractor for a preconstruction meeting and work has commenced to complete the pump installation, install the backup generator and connection to the water system.

Well No. 14

The District has completed drilling the test well. The California Department of Water Resources has taken water samples to determine the water quality. The test results are not yet available.

Well No. 3

A contract has been awarded to make repairs to Well No. 3 in order to place this well into production. This well can produce approximately 500 gpm and the arsenic levels are under State and Federal requirements.

III. Status of CDPH Compliance Orders

The water quality and quantity continue to be satisfactory. Water pressure is subject to variation because of leaks and equipment failures. However, generally, water pressures remain adequate and comply with CDPH standards.

The District has satisfied one of the Compliance Orders issued by the CDPH related to reporting requirements and staffing plans. The first Compliance Order related to water supply and capacity has not been satisfied because well construction is not complete.

IV. Sacramento Suburban Water District Interconnection

No changes in the operation or status of the intertie with Sacramento Suburban Water District. RLECWD and Sacramento Suburban Water District renewed this Agreement during March, 2012.

V. Status of District Operations

District Financial Condition

No significant changes in the overall financial situation of the District. Cash Flow remains tight. Accounts Payable are current, however, legal expenses related to litigation

continue to have a significant impact on cash flow and prevent the district's ability to develop cash reserves.

Staffing and Employee Relations

No items to report.

Urban Water Management Plan

No report.

Liability Insurance

The Association of California Water Agencies (ACWA) has extended the District's liability coverage for a 6 month period, however, this amended policy does not cover "employment practices". The District is attempting to find coverage for this exclusion.

In addition, ACWA is requesting that the Board of Directors have additional training on conducting business public hearings at Board meetings. District staff is attempting to arrange this training.

District Operations

The General Manager's report for April 11, 2012 to May 15, 2012 is attached highlighting the status of various district operations.

Also attached is a summary of the annual accomplishments of Mary Henrici, since she took over as General Manager.

Pending Litigation as of May 21, 2012

Currently, the pending litigation is set forth as follows:

- 1) CONFERENCE WITH GENERAL COUNSEL – PENDING LITIGATION - The Board of Directors will meet in closed session pursuant to Government Code § 54956.9(a) (Teamsters Local 150 v. RLECWD, PERB case # SA-CE-736M).
- 2) CONFERENCE WITH GENERAL COUNSEL – PUBLIC EMPLOYEE DISCIPLINE/DISMISSAL/RELEASE - The Board of Directors will meet in closed session pursuant to Government Code § 54957(b)(1).
- 3) CONFERENCE WITH GENERAL COUNSEL - The Board of Directors will meet in closed session pursuant to Government Code § 54956.9(a). Pending Litigation - Joseph Sherrill. Sac. Superior Court Case # 34-2011-00103481.

4) CONFERENCE WITH GENERAL COUNSEL - The Board of Directors will meet in closed session pursuant to Government Code § 54956.9(a). Pending Litigation - Joseph Sherrill. Sac. Superior Court Case # 34-2012-8000-1095.

5) CONFERENCE WITH GENERAL COUNSEL - The Board of Directors will meet in closed session pursuant to Government Code § 54956.9(a). Pending Litigation - Joseph Sherrill. Sac. Superior Court Case # 34-2012-8000-1108.

6) CONFERENCE WITH GENERAL COUNSEL - The Board of Directors will meet in closed session pursuant to Government Code § 54956.9(a). Pending/Potential Litigation. Cal OSHA v. RLECWD - Docket #R2D1-2288 to 2290). Discussion and action.

7) CONFERENCE WITH GENERAL COUNSEL - The Board of Directors will meet in closed session pursuant to Government Code § 54956.9(a) - Pending litigation - Liz Myers, Fair Employment and Housing Matter.

8) CONFERENCE WITH GENERAL COUNSEL - The Board of Directors will meet in closed session pursuant to Government Code § 54956.9(a) - Pending litigation - Liz Myers, Federal Case CIV S-11-02671 EFB.

9) CONFERENCE WITH GENERAL COUNSEL - The Board of Directors will meet in closed session pursuant to Government Code § 54956.9(a) - Pending litigation – Joseph Sherrill, Unemployment Insurance Hearing Case #'s 4194600 and 4194601.

10) CONFERENCE WITH GENERAL COUNSEL - The Board of Directors will meet in closed session pursuant to Government Code § 54956.9(b)(3)(C) - Pending litigation – Michael Phelan.

VI. Summary of Issues

Overall the District is providing adequate water service to the community and progress is being made to address the water supply capacity issue. However, there are several concerns that continue to exist:

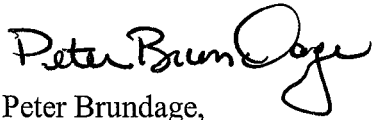
1. Difficulty related to Board meetings;
2. Minimal cash flow to build up a financial reserve; and
3. Litigation and related legal costs.

VII. 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

A handwritten signature in black ink that reads "Peter Brundage". The signature is written in a cursive style with a large, looped "P" and "B".

Peter Brundage,
Executive Officer

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

Attachments

Manager Report

For April 11, 2012 through May 15, 2012

On April 12, 2012 I attended the semi monthly SGA meeting. The discussed the

On April 17, 2012 I had a construction meeting with Koch and Koch, Sara Rogers, Pat Goyet and Jim Carson regarding well #15. It was noted that the easements would be needed for the discharge pipeline immediately as the contractor wished to proceed with work in that direction. He had completed the gas and power line ditches. He has also ordered the pump and generator.

On April 18, 2012 I attended the RWA budget meeting with President Trautman.

On April 19, 2012 I attended the SAWWA meeting and listened to a Sacramento County detective discuss the measures they are taking to curb backflow thefts.

On April 23 through the 26th I attended the California Rural Water Association conference. At this conference I learned about managing insurance risk. This class was taught by Utility Resource Insurance Services. They are one of the four agencies which I applied for insurance. I then attended a class on AB 54 which is new legislation regarding mutual water company Board governance requirements. I then attended a class on infrastructure planning and funding. This class went over some of the requirements to obtain State and Federal grants and loans. Then it was off to Rates and Rates Structures noting the pros and cons of the different types of rate structures and how defensible they are in the 218 process. The last class was strictly on Management techniques which was also very informative.

On May 1, 2012 the drilling of the monitoring well at site #14 started.

On May 2, 2012 I attended the Lafco meeting where they discussed our current insurance situation and the fact that my contract renewal should have been dealt with months ago.

On May 7 through the 10th I attended the ACWA conference. It was determined on May 7th that the ACWA JPIA would retain all of the District's insurances except the Employment Practices Liability Insurance. This will be reviewed again at the December ACWA conference in San Diego. This measure passed by a slim margin. After the meeting and over the next few days I networked with other agencies and ACWA Board members. It was noted by many that the District has appeared to turn around but there was a lot of work to do with this Board. I also attended a class on regulatory changes that have impacted storage tank design where they discussed the pros and cons of the different types of storage tanks. I also attended another very informative class on the public records act put on by the law firm of Burke, Williams and Sorensen. The last class I attended which I felt was the most informative for the Board of Directors was Employment Litigation: Limiting liability through governance. The Board has received the information from this class in their mail boxes.

On May 11, 2012 I received information from Alliant insurance they wanted a response to the last Sac Bee article which has now made it into the insurance circles. They have requested more information on the Board's actions to improve governance for the brokers that are interested in possibly quoting the District insurance.

On May 15, 2012 I met with the well #15 contractor and went over their progress on the site. I also walked the site and discussed the drainage easements with engineers Rogers and Carson. Later that day I went to the well #14 site and spoke with the contractor regarding their prior nights work which disturbed a few of the neighbors. This is the second time during this contract that the contractor has worked late into the night. I note to the contractor that this was unacceptable and will not be tolerated anymore. The well #14 contract notes that work will be stopped at 5 p.m. each day and the work went on all night. I also communicated with the neighbors and let them know this will not be happening again.

Accomplishments since June 1, 2011

When I came into this position in June of 2011 this agency had several problems.

There was a pile approximately 1 and a ½ ft tall on every flat surface in my office.

There were not any copies of any contracts or insurance policies (district or health) in the office.

Health Department compliance. 3 compliance orders were in effect.

Osha Compliance. No one had addressed all of the issues that OSHA required fixing. So we were going to have several thousand dollars in fines.

CDPH Loan document was not yet signed because they were waiting for a full time experienced General Manager to come into this District.

It had been 3 years since the union employees had a contract.

Lafco was seriously considering dissolving the District due to their inability to pay the bills in a timely manner and being fiscally sound in other ways such as putting money aside into capital improvement funds and loan payment funds as required by our 2 state and federally funded loan projects.

These items are not normally required to be dealt with when you walk into an agency. But I knew they were there. What I did not know about was the political turmoil that exists on this Board. The fact that Board members dislike each other so much that they try to recall each other. That several of your past staff have sued you due to Board actions. There is also a unique circumstance of a Board member owning a newspaper that every single month says nothing but negative things about our agency and the staff. These items all have to do with governance. This is also not a normal situation. I was told when I came to this agency that I would be supported by the Board of Directors. I am by the majority of the Board but there are a couple that try to "throw me under the bus" as quoted by one of the Board to the Executive Director of Lafco at every opportunity. One writes nothing but half truths and misquotes in a paper that is passed out at the Sacramento Groundwater Authority meetings. These meetings are comprised of a group of people that represent the water agencies all over the Sacramento area. They are my peers.

None of the items listed above are considered normal by any standard. So when it is said that is what you get paid for that is doing your job. It is not, this goes way beyond the ordinary day to day business of a maintained water company.

But on to the positive side of the agency. Since I have been here this is a brief list of what has been accomplished:

We now only have 1 CDPH compliance order which will be completed when the wells are completed.

All items that were out of compliance with OSHA are now corrected.

The CDPH loan has been signed and we have been working to complete the wells as fast as the Government has allowed us to proceed. If all goes well, #14A and 15 will be completed by Fall of this year.

There is now a union contract in place.

Lafco is now comfortable with the direction the District is going.

Our CDPH District Engineers are now comfortable with the direction the district is going.

The Bookkeeper, Board President and I have restructured the financial statements to the standardized statements that all companies receive.

One prior year audit has been completed and the bank statement audit is underway.

There is now a safety program (required by osha)

There are now daily rounds done to all well sites (an industry standard)

All equipment now has current registration.

There were a large variety of items that just were not up to date dmv pull list, bank account signers, supplier signers, capacity fees, etc. and some that still are not Urban Water Management Plan is in RFP mode to be brought to next Board meeting, Aged accounts receivable need to be investigated, surcharge fund amounts paid need to be investigated. (this is half way done), appropriation limitation hearing needs to be set, new budget needs to be created, all audit recommendations need to be implemented (this is over half way done), etc. etc. If I worked 24 hours a day for the next 6 months I might have this place caught up to current day on all items. The problem is this was not a place that had been kept up to date on any front whatsoever so I had to come in and fix the past along with keeping up with the present.

I have also created a few cost savings

Removing 8 phone lines \$3,500.00 per year.

Changing phone and internet providers \$6,000 per year

Changing garbage service \$500.00 per year

Changing billing paper source \$1,200.00 per year

Amounts forgiven:

RWA \$4,361.00

State Controllers office \$6,000.00

Air quality management late fees.

Late fees on numerous accounts.

There has also been over \$2,700.00 in metals recycled and put into the general fund.

Needless to say I have been very busy and feel that I deserve the raise and benefits changes that I am requesting.



RIO LINDA / ELVERTA COMMUNITY WATER DISTRICT

730 L Street
PO Box 400
Rio Linda, Ca 95673
Office (916)991-1000
Fax (916)991-6616

Board of Directors Regular Meeting

Monday, May 21, 2012
Meeting will begin at 6:30 P.M.

Meeting Location:
Visitor's / Depot Center
6730 Front St
Rio Linda, CA 95673

The next Regular Meeting is scheduled for
Monday, June 18, 2012
at 6730 Front Street, Rio Linda

It is the intent of the Board that meetings shall remain as informal as reasonably possible consistent with the business needs of the District. The Board President or a majority of the Board may invoke formal proceedings pursuant to Robert's Rules of Order should action be deemed necessary. The Board may discuss and take action on any item listed on this agenda including items listed as information items. The Board may also listen to other items that do not appear on this agenda, but the board will not discuss or take any action on those items, except for items determined by the Board pursuant to state law to be of an emergency or urgent nature requiring immediate action. Copies of the agenda are posted at the Community Center, the District Office and on the District's Web Site at <http://www.RLECWD.com>. All documents relating to items listed on this agenda are available for public inspection at the District office: 730 L Street, Rio Linda, California. The public will be given the opportunity to directly address the Board on each listed item during the Boards consideration of that item. An opportunity for public comment on other items within the jurisdiction of the Board is offered under the item "Public Comment" and such comments are welcomed. Reasonable time limitations may be imposed on each speaker by the Board President. The Board may address any items in any order as approved by the Board.

Upon request, agendas and documents in the agenda packet will be made available in appropriate alternative formats to persons with a disability, as required by law. Any such request must be made in writing to the Rio Linda/Elverta Community Water District, 730 L Street, or P.O. Box 400, Rio Linda, CA 95673. Requests will be valid for the calendar year in which the request is received and must be renewed prior to January 1st of the next year. Persons needing disability-related modifications or accommodations in order to participate in public meetings, including persons requiring auxiliary aids or services, may request such modifications or accommodations by calling the Rio Linda/Elverta Community Water District at (916) 991-1000 at least 48 hours prior to the meeting.

Rio Linda / Elverta Community Water District, Board of Directors	General Manager/Secretary to the Board
Jerry Trautman, President Frank Caron, Director Vivien Spicer-Johnson, Director	Mary Henrici
Cathy Hood, Vice President Courtney Caron, Director	

CALL TO ORDER AND ROLL CALL	The President will call the meeting to order and take roll.
PLEDGE OF ALLEGIANCE	The President will lead the pledge of allegiance.
ANNOUNCEMENTS	
PUBLIC COMMENT	Members of the public are invited to speak to the Board regarding items within the subject matter jurisdiction of the District that are not on the agenda or items on the consent agenda. Each speaker may address the Board once under Public Comment for a limit of 2 minutes. (Policy Manual § 2.01.160) The Board cannot act on items not listed on the agenda and, therefore the Board cannot respond to non-agenda issues raised during Public Comment other than to provide general information.

Monday, May 21, 2012

1. CONSENT CALENDAR	The Board will be asked to approve all Consent Items at one time without discussion. Consent Items are expected to be routine and non-controversial. If any Board member, staff or interested person requests that an item be removed from the Consent Items, it will be considered with the action items.
A. MINUTES: 1.) March 19, 2012, Regular Meeting 2.) March 22, 2012, Special Meeting 3.) April 16, 2012, Regular Meeting 4.) April 29, 2012, Special Meeting	The Board will review and approve minutes of previous meetings.
B. EXPENDITURES: 1.) Operations Expenditures 2.) Capital Improvement Expenditures 3.) SRF Expenditures 4.) Security Deposits	The Board will review and approve the expenditures since the meeting of April 16, 2012.
C. CREDIT CARD ACTIVITY:	The Board will review and approve the credit card activity since the meeting of April 16, 2012.
2. ITEMS FOR DISCUSSION AND ACTION	
1. Customer request waiver of \$40.00 tag fee. Requested by G.M., Mary Henrici	The Board will discuss and decide on whether to waive a \$40.00 tag fee for a customer who has been a customer for 30 years.
2. General Manager's Contract and Conflict with CalPERS Retirement Contract Requested by G.M., Mary Henrici	The Board will discuss and correct the amount of payment to CalPERS Retirement by General Manager as it does not comply with the CalPERS guidelines.
3. General Manager's Contract, current contract expires 5/31/2012 Requested by G.M., Mary Henrici	The Board will discuss and possibly approve the General Manager's contract.
4. Joint Powers Insurance Authority Insurance Liability Coverage and Agreement Requested by G.M., Mary Henrici	The Board will discuss and take action on the Joint Powers Insurance Authority Board of Directors decision related to the District Insurance.
5. Well #15 Change Order Requested by G.M., Mary Henrici	The Board will receive information on Well #15 and the request for a change order.
6. Well #15 Easements Requested by G.M., Mary Henrici	The Board will approve each of the landowners' requests as outlined in the Technical Memorandum.
7. Director Responsibilities Requested by Director Frank Caron	The Board will discuss the responsibilities of Directors.
8. Resolution 2012-10 Requested by G.M., Mary Henrici	The Board will discuss and possibly approve Resolution 2012-10 amending section 1.01.060 of the Administrative and Personnel regulations to change the adoption/amendment of policies.
9. General Counsel's Contract Requested by Directors' Frank Caron / Jerry Trautman	The District's rights under the General Counsels contract will be discussed with possible action.
10. Resolution 2012-07 Revisions to Policy Manual Requested by G.M., Mary Henrici	The Board will approve adopting a resolution which would no longer require a resolution to add/change or amend the policy manual. 2.01.170 Form of Action

Monday, May 21, 2012

11. Board Training Requested by G.M., Mary Henrici	The Board will discuss governance training for the Board.
12. Job Description Approval Requested by G.M., Mary Henrici	The Board will approve job descriptions.
13. Resolution 2012-08, Regular Board Meetings Requested by G.M., Mary Henrici	The Board will approve Resolution 2012-08, Setting Date and Time of Regular Board Meetings.
14. Settlement Agreement and Release with Mary Harris Requested by G.M., Mary Henrici	The Board will discuss and possible approve the settlement agreement and release with Mary Harris for legal fees.
15. District Vehicle Usage Requested by Director Johnson	The Board will discuss staff concerns regarding personal vehicle usage for business.
16. Auditor Recommended Accounting Policies a.) District Investment Policy b.) Operating & Reserve Policy c.) Whistle Blower / Conflict of Interest d.) Risk Assessment Requested by Director Johnson	The Board will discuss and approve policies recommended in the 2009-10 Audit
17. Ordinance 2011-01 Requested by Director Johnson	The Board will discuss and determine designating funds from Ordinance 2011-01.
18. District Water Service Application Requested by G.M., Mary Henrici	The Board will discuss and approve the Districts water service application.
19. Update from Richardson and Company Requested by G.M., Mary Henrici	The Board will receive an update from Richardson and Company on the current audits.
20. Removal of Director Hood as Vice-President Requested by Director Frank Caron	The Board will discuss removing Director Hood as Vice-President of the Board and possibly vote for a new Vice-President.
3. FINANCIAL REPORTS a.) Bank Balances - May 2012 b.) Balance Sheet c.) Profit / Loss and Budget Performance d.) SRF Accumulative Costs	DISTRICT FINANCIAL REPORTS Written reports attached
4. INFORMATION ITEMS a.) General Manager's Report b.) Water Production Report c.) Report of District Operations d.) Monthly Source Production e.) Monthly Pressure Readings f.) District Engineers Report	DISTRICT ACTIVITY REPORTS Written reports attached

Monday, May 21, 2012

5 BOARD REPORTS	
<p>a.) Regional Water Authority - Trautman, Hood, Henrici b.) Sacramento Groundwater Authority - Johnson c.) LAFCo - F. Caron d.) Other Reports</p>	<p>Per AB 1234 the Board of Directors will report on their meeting activities.</p>
6 DIRECTORS AND GENERAL MANAGER COMMENTS	
	<p>Directors' and the General Manager may comment on matters not on the agenda, but no action other than placing the matter on a future agenda for discussion or a report from staff is allowed by the Brown Act.</p>
7 CORRESPONDENCE TO THE BOARD	
	<p>Any letters and correspondence to the Board from the community and other entities.</p>
8 PUBLIC COMMENT FOR CLOSED SESSION	
	<p>Public comment for closed session items only: The public is invited to comment on any item listed on the closed session agenda. Each speaker is limited to 2 minutes.</p>
9 CLOSED SESSION	<p>The Board of Directors will convene to Closed Session to discuss the following items.</p>
CLOSED SESSION	<ol style="list-style-type: none"> 1.) CONFERENCE WITH GENERAL COUNSEL - PENDING LITIGATION - The Board of Directors will meet in closed session pursuant to Government Code § 54956.9(a) (Teamsters Local 150 v. RLECWD, PERB case # SA-CE-736M). 2.) CONFERENCE WITH GENERAL COUNSEL - PUBLIC EMPLOYEE DISCIPLINE/DISMISSAL/RELEASE - The Board of Directors will meet in closed session pursuant to Government Code § 54957(b)(1). 3.) CONFERENCE WITH GENERAL COUNSEL - The Board of Directors will meet in closed session pursuant to Government Code § 54956.9(a). Pending Litigation - Joseph Sherrill. Sac. Superior Court Case # 34-2011-00103481. 4.) CONFERENCE WITH GENERAL COUNSEL - The Board of Directors will meet in closed session pursuant to Government Code § 54956.9(a). Pending Litigation - Joseph Sherrill. Sac. Superior Court Case # 34-2012-8000-1095. 5.) CONFERENCE WITH GENERAL COUNSEL - The Board of Directors will meet in closed session pursuant to Government Code § 54956.9(a). Pending Litigation - Joseph Sherrill. Sac. Superior Court Case # 34-2012-8000-1108. 6.) CONFERENCE WITH GENERAL COUNSEL - The Board of Directors will meet in closed session pursuant to Government Code § 54956.9(a). Pending/Potential Litigation. Cal OSHA v. RLECWD - Docket #R2D1-2288 to 2290). Discussion and action.

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CLOSED SESSION (continued)	<p>7.) CONFERENCE WITH GENERAL COUNSEL - The Board of Directors will meet in closed session pursuant to Government Code § 54956.9(a). Pending Litigation - Liz Myers - Fair Employment and Housing Matter.</p> <p>8.) CONFERENCE WITH GENERAL COUNSEL - The Board of Directors will meet in closed session pursuant to Government Code § 54956.9(a). Pending Litigation - Liz Myers - Federal Case CIV S-11-02671 EFB</p> <p>9.) CONFERENCE WITH GENERAL COUNSEL - The Board of Directors will meet in closed session pursuant to Government Code § 54956.9(a). Pending Litigation - Joseph Sherrill, Unemployment Insurance Hearing Case #'s 4194600 and 4194601.</p> <p>10.) CONFERENCE WITH GENERAL COUNSEL - The Board of Directors will meet in closed session pursuant to Government Code § 54956.9(b)(3)(C). Potential Litigation - Michael Phelan.</p>
Reconvene Open Session	The President will reconvene the open session of the meeting.
Announcements from Closed Session	The President will report on any actions taken in closed session. Including any motion or resolution required as a result of closed session discussions.
ADJOURNMENT	The President will adjourn the meeting.