SACRAMENTO LOCAL AGENCY FORMATION COMMISSION

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

November 7, 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 overall financial condition is weak and the District continues to operate in the red. In addition, the District is not able to obtain liability coverage for employment practices.

DISCUSSION

This report summarizes the actions, developments, and events related to the Rio Linda Elverta Community Water District that have occurred since September 5, 2012.

I. Board of Directors

There are four seats up for election; Frank Caron's seat is the only seat not up for reelection. Eight candidates have filed to run in the November election, including two incumbents. Jerry Trautman, the current Board President and Courtney Caron have decided not to run for another term. The new board will assume office in the first part of December.

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 pump building has recently been completed. The access road and fence have been constructed. The pump has been installed. Fees have been paid to SMUD to install the electrical service.

On October 25, 2012, the well was turned on and became operational. The well produces approximately 2,800 gallons per minute. The total cost of the well and pipeline is approximately \$2.3 million. This leaves approximately \$5.2 million of the \$7.5 million state revolving loan.

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. This well contains arsenic and cannot be used without treatment.

CDPH has indicated that a reservoir tank may be the more appropriate option. The District and CDPH are updating a water demand study to determine the water supply deficit. A number of factors may have changed from the previous analysis such as the current number of vacancies and the change in the estimated growth rate of the community.

Well No. 3

Repairs have been made to Well No. 3 in order to place this well into production. Water samples have been taken for testing to determine if this well can be used. This well can produce approximately 600 gpm. This well should be operational in about one month. The District needs to install chlorination equipment.

Overall Operations

The District is improving its ability to remotely monitor wells using telemetry equipment.

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.

The District has met with CDPH to discuss water supply issues and Well No. 14. The District is preparing an updated demand study to determine the estimated water supply deficit. CDPH is also reviewing this data. Depending on the outcome of the water study, CDPH currently supports the construction of a reservoir tank. In addition, one more well may be needed to provide a backup supply.

Progress is being made to address the District's water supply issues; however, it appears that the financial and litigation concerns currently are the more significant issues.

III. 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. This intertie operates only if water pressure drops below 30 psi.

IV. Status of District Operations

District Financial Condition

No significant changes in the overall financial situation of the District. Cash Flow remains tight. Accounts Payables <u>are not</u> current and the District is operating at a loss or in the "red" for last several months. The financial condition of the District is not improving and is actually beginning to erode at an increasing rate. The General Manager has estimated that the operating fund balance is currently \$128,000 in the red.

The District has been able to pay creditors and vendors because it is basically using money that should be deposited into capital and debt service accounts. In addition, over the last several years, the District did not deposit capital construction and debt service funds into the appropriate accounts. Currently, the District needs to put in approximately \$150,000. The District is proposing to repay these funds over a five-year period with annual payments of approximately \$30,000.

Legal costs are exceeding the annual budget amount and may increase as pending litigation goes to trial if settlements cannot be reached. The District acknowledges that it cannot control its legal expenses. Also, the District is not able to terminate the contract without significant costs based on the severance clause. The contract cannot be terminated until June 30, 2014. Also, the contract provides that it will automatically renew under the same terms and conditions unless terminated with a minimum 60 days written notice.

Staffing and Employee Relations

No significant issues to report.

Urban Water Management Plan

The UWMP is in progress and should be complete in about one month.

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 has not been able to get coverage for this exclusion. The General Manager has contacted ten (10) carriers. This continues to be a significant issue.

Mary Henrici and Jerry Trautman met with ACWA to give them a status update and let them know what the District is doing to improve its risk.

It appears that it will be difficult for the District to demonstrate that it is an acceptable risk; it will be difficult to get liability coverage. ACWA will be reviewing the coverage it is currently providing at its next Board meeting in November/December 2012.

District Operations

The General Manager's report for September 8, 2012 to October 10, 2012 is attached highlighting the status of various district operations.

Pending Litigation as of October 15, 2012

Currently, the pending litigation is set forth as follows:

- 1.) CONFERENCE WITH GENERAL COUNSEL The Board of Directors will meet in closed session pursuant to Government Code § 54956.9(a). Glenn Gilkerson- Small Claims Hearing Case No. 12SCO2987.
- 2.) 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.
- 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 # 34-2012-8000-1135.
- 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) Superior Case # 05CS01365 Michael Phelan.
- 7.) CONFERENCE WITH GENERAL COUNSEL The Board of Directors will meet in closed session pursuant to Government Code § 54956.9(a). Pending Litigation. Cal OSHA v. RLECWD Docket #R2D1-2288 to 2290).

V. 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 two significant issues: the inability of the District to obtain liability coverage for employment practices and the overall financial condition of the District.

VI. 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

Attachments

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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, October 15, 2012 Meeting will begin at 6:30 pm

Meeting Location: Visitor's / Depot Center 6730 Front St Rio Linda, CA 95673 Remote Location:
Director Courtney Caron
Veteran's Memorial Bldg
4117 Overland Ave
Culver City, CA 90230

The next Regular Meeting is scheduled for Monday, November 19, 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 Comm	unity Water District, E	Board of Directors	
Jerry Trautman, President	Frank Caron, Director	Vivien Johnson, Director	
Cathy Hood, Vice President			

General Manager/Secretary to the Board Mary Henrici

Cathy Hood, Vice President Courtney Caron, D	Director	Mary Henrici	
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.	
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.

Monday, October 15, 2012

A. MINUTES: 1.) September 17, 2012, Regular 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 September 17, 2012.
C. CREDIT CARD ACTIVITY:	The Board will review and approve the credit card activity since the meeting of September 17, 2012.
2. ITEMS FOR DISCUSSION AND ACTION	en e
1. 2011-12 FY Audit Requested by G.M., Mary Henrici	The Board will approve the 2011-12 FY Audit
2. Addendum to the Memorandum of Liability Coverage Requested by G.M., Mary Henrici	The Board will discuss and authorize the President of the Board to sign the Memorandum of Liability Coverage
3. Well #16 Project Update	The Board will receive an update on Well #15 Project.
4. Hydropneumatic Tank Testing Requested by Jim Carson	The Board will be asked for direction on how to proceed with the Hydropneumatic Tank Tests throughout the District.
8. Well #3 Reactivation Project Status Update Requested by Jim Carson	The Board will receive an update on the status of Well #3 reactivation.
Resolution 2012-18 Conflict of Interest Code Requested by G.M., Mary Henrici	The Board will approve Resolution 2012-18 Conflict of Interest Code Placing it in the District Policy Manual.
Estimated Time for Review of Personnel Policy Updates Requested by President Trautman	The Board will receive the estimated time to review the personnel policy changes and give directions on how to proceed.
8. Board Notification	All GM vacation requests to be presented to the Board by regular meeting prior to taking the time off. Notification to all Directors of who is in charge during vacation time off and any other absences.
9. Meetings of Staff and Board Members Requested by Director Johnson	Board notifications of any meetings with LAFCo, Sac Suburban or CDPH by staff or Board members. If unattended by Board President then the Vice President shall be in attendance.
10. Office Operations	Close office on Fridays and create 4 - 10hr work days. Would save utilities and would save transportation costs for the office staff as well. In addition the office staff would have the benefit of three day weekends all the time with no lost hours.
11. Calendars Requested by Director Johnson	Create vacation calendars and GM meeting calendars: The Board would be aware of who is in charge at all times. The calendar pages could be presented at each Board meeting, ie.: Present November's at the October meeting.
3. FINANCIAL REPORTS	DISTRICT FINANCIAL REPORTS
a.) Bank Balances - September 2012 b.) Balance Sheet c.) Profit / Loss and Budget Performance d.) SRF Accumulative Costs	Written reports attached

4. INFORMATION ITEMS	DISTRICT ACTIVITY REPORTS
a.) General Manager's Report b.) Water Production Report c.) Report of District Operations d.) Monthly Source Production e.) Monthly Pressure Readings 1.) District Engineers Report	Written reports attached
5. BOARD REPORTS	
a.) Regional Water Authority - Trautman, Hood, Henrici b.) Sacramento Groundwater Authority - Johnson c.) LAFCo - F. Caron d.) Other Reports	Per AB 1234 the Board of Directors will report on their meeting activities.
6. PUBLIC COMMENT FOR CLOSED SESSION	
	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.
7. CLOSED SESSION	The Board of Directors will convene to Closed Session to discuss the following items.
CLOSED SESSION	1.) CONFERENCE WITH GENERAL MANAGER - The Board Directors will meet in closed session pursuant to Governmen Code § 54956.9(a). Glenn Gilkerson - Small Claims Hearing Case # 12SCO2987.
	2.) CONFERENCE WITH GENERAL COUNSEL - The Board Directors will meet in closed session pursuant to Governmer Code § 54956.9(a). Pending Litigation - Joseph Sherrill. Sa Superior Court Case # 34-2011-00103481.
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	6.) CONFERENCE WITH GENERAL COUNSEL - The Board Directors will meet in closed session pursuant to Governmer Code § 54956.9(a) Superior Case # 05CS01365 - Michael Phelan.
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Monday, October 15, 2012

Reconvene Open Session	The President will reconvene the open session of the meeting. The President will report on any actions taken in closed session. Including any motion or resolution required as a resu of closed session discussions.	
Announcements from Closed Session		
8. DIRECTORS' AND GENERAL MANAGER COMMENTS		
	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.	
ADJOURNMENT	The President will adjourn the meeting.	

Weekly Managers Report

September 8, 2012 to October 10, 2012

On September 10, 2012 I met with a local citizens group after hours to answer questions on the current status of the District.

On September 11, 2012 I met with Sara Rogers, Pete Regan, Jim Carson and Eric Koch on the status of the Well 15 project. The transformer, gas line and chemical tanks have been installed. The power line still needs to be installed on the roadway before startup can proceed. Later that morning I had a lengthy meeting with Jim Carson and Jim Crowley and reviewed the draft Urban Water Management Plan (UWMP). We are awaiting the CUWCC response to our report before we can proceed with the public hearing and finalizing the UWMP.

On September 12, 2012 we starting taking free water from the Sac Suburban intertie today for the next seven days. Only pumps 10 and 7 have been running all day. We will be monitoring this free water and how it affects our system in order to have a better feel for what will happen when Well #15 comes on line. We are receiving approximately 1100 gallons per minute.

On September 18, 2012 I sent Michelle the free Cal Pers retirement training. They have changed several things recently on their site and discussed the retirement reform legislation.

On September 19, 2012 I received a letter of resignation from Michelle Ammond our bookkeeper. She has taken a job with a company that pays much better and allows her to work from home if desired. The staff will miss her very much. I also attended supervisor Mac Glashan's bimonthly meeting at cherry creek golf course. The head of the Parks Department spoke of the Gibson ranch contract, the bike path trails that are being improved and the 2 rangers recently hired by his office. Supervisor Mac Glashan spoke of the Counties newly approved budget and noted that there were no additional budget cuts this year. I informed the Supervisor of our upcoming ribbon cutting event on well #15. Later that evening I went to the green gardener class and learned about improving garden soils to restrict runoff, rain gardens and rain catch basins.

On September 20, 2012 I went to SAWWA and learned of the EPA's Unregulated Contaminate Monitoring Rule 3 (UCMR3) requirements. It is currently estimated that the testing will cost the District \$30,000 per round of sampling with 2 rounds required. The first round will be done in fiscal year 2013-14 the second in fiscal year 2014-15. This will be added to the District budget next year.

On September 24, 2012 I met with Derrick Williams the President of Hydro Metrics. They are a hydrology firm out of Oakland and do similar work to Wood Rodgers. He was looking to expand into our area. I told him we already had a hydrologist for our projects.

On September 25, 2012 I met with Charles Miller of Apple One temp agency and discussed the qualifications needed for a bookkeeper for our agency. He had one candidate who will be in Thursday.

The District received 7,539,000 gallons of free water through our intertie with Sac Suburban from San Juan's treatment plant during a five day test of their facilities.

September 26, 2012 I reviewed the engineering report from Domenichelli and Assoc. to the CDPH addressing new demand figures and construction project alternatives for system redundancy. I then went to a regional ACWA meeting where they discussed the current status of the delta plan and the restructuring of ACWA.

September 27, 2012 I hired a temp to take over Michelle's position while we go through the hiring process to find a replacement bookkeeper. The Temp comes from the Nevada County District Attorney's office. It is my hope that she will be interested in the job permanently as she already has governmental experience. The District will need to go through a formal hiring process in order to permanently hire a replacement for Michelle as we now receive State and Federal funding.

September 28, 2012 I met with Joe and Sara of Domenichelli & Assoc., Pete Regan, Eric Koch and Pat Goyet on the progress of the Well #15 project. The Generator start up is scheduled for October 8, 2012, Tesco equipment testing is October 16-18. SMUD should be here next week to install power. We are keeping our fingers crossed. I also viewed the Well #15 site and the field inspector has come up with an alternative for the chlorine analyzer discharge which the engineers will we considering.

On October 1, 2012 Salvador Turrbiartes of California Department of Public Health met with Pat Goyet and I to inspect the Well #15 well site so he could provide us with an interim use permit for the well. He commented that the area currently fenced with chain link fencing may need to be changed to the wrought iron type around the well site due to the lack of security for the monitoring well head that is in the area. He also inspected our Well #3 site and discussed what was still needed to get that site up and running. Mr. Turrbiartes will be doing another well site inspection on well #15 before startup as there were a few things that were not complete to date.

On October 3, 2012 I reviewed the chlorinator spec for well #3. Staff would like both well 3 and 15 to have the same type of unit. It was determined that the manufacturer of the well# 15 chlorinator had changed so a new proposal has to be received from the new chlorinator manufacturer before we can purchase the unit for well #3. Estimated time after order for receipt of the chlorinator is 4 weeks.

On October 9 and 10, 2012 Mr. Goyet and I attended Disaster Management Training for Water agencies provided by the Department of Homeland Security.

Sadly, there's no end in sight to water torture in Rio Linda

They cut the ribbon Thursday on Rio Linda's long-overdue new well. Lots of places, there would have been a festive commu mity celebration.

Here, the subdued ceremony, atbended by only 20 or so local and state officials, was a rare moment of

productive of the district's 10 active wells, one board member and a former member sought me out to structive politics that has put the Rio to bubble up. Right after the switch was flipped on the most modern and And it didn't take long for the de-Linda, Elverta Community Water District on the edge of financial ruin criticize their foes.

I feel badly for the 15,000 residents in northern Sacramento County, who just want clean water at lered for so long that there's no good a reasonable cost. Problems have fessolution in sight.

district voters will fill four of the five There's certainly no guarantee of salvation from the Nov. 6 election board seats - that looks like yet another nasty fight between competing

Associate editor TOON REFE

Green, Matthew Longo, Duane Anderson and Brent Dills - is trying to take over. The changes they're A slate of challengers - Paul very well be a better alternative than before was blasted by the Sacrapromising sound good. They may Spicer-Johnson and former board incumbents Cathy Hood and Vivien member Mary Harris, whose conduct when they all were on the board mento County grand jury.

Yet, will it really matter who wins? difficult for anyone to fix this mess The sad fruth is it will be extremely amylime soon, No one is coming to the resone from outside the district, either.

omiside help. Donald Frange Sr., made worse by sky-high legal bills then the foreman, says he's dis-caused partly by an irresponsibly again sounded the alarm that the district was in deep distress and needed irgent response. "People are suffermayed that there hasn't been a mone ing," he says.

In November 2010, the outside group most closely monitoring the Agency Formation Commission, isview, the first step toward possible district, the Sacramento Local sued a draft municipal service reconsolidation or dissolution.

Two years later, there has been very modest progress.

district's financial condition is "beginning to erode at an increasing port, last month, concluded that the rate" and could "result in bankrupt-The latest depressing LAFICO re-

Public Health, which five years ago Rio Linda is operating at a loss Last year, it took on a \$7.5 million loan from the state Department of tion and debt repayment accounts. and is paying creditors with money that should be going into construc-

Last year, the county grand jury onsily low water pressure and other deficiencies.

The district's money woes are ployee lawspits, the district lost its generous contract with its legal connto pay such claims out of pocket, putsel, Ravi Mehta. With so many eminsurance coverage, so it could have ting it in an even deeper hole.

Peter Brundage, LANCO's executive director, warms that even if another water district or even Sacramento County took over Ric Linda, it would have to take on all the financial risks. Getting the finances in order will mean even higher rates for customers.

lenges, she did not realize how toxic the political turnoil was on the her first-year update, she says while Mary Henrici, who in June 2011 became the district's ninth general manager in less than five years, brought some hope since she had actually run a water district before. In she knew about the financial chal-

ordered the district to fix danger- closely watching the election results. hope she's right, Henrici is hanging in there, and

"Tithe district's here, I'll be here," she told me Thursday. But if she hailed

It's difficult, too, to fault Countney Caron, one of the two incumbents not secking re-election. She doesn't want to put herself through the nehr out, who could blame her? INE ANY INDIC.

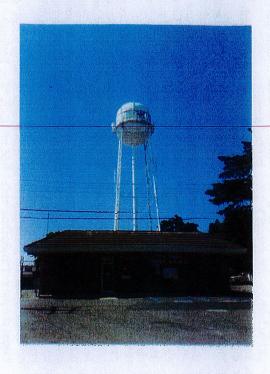
"The cause seems not worth it," she told me.

They're the ones paying the price for action by outside officials. They're the ones who have to live through Residents, though, are stuck. personal fends, bad decisions and inthe long, painful slog to a well-run water system.

Hitch, who donated the well site and is hoping to develop nearby land. When she received a plaque Thurs-Her husband, Rick, died climbing There are also people like Loretta Mount Everest last year and didn't day, tears flowed through her smilles. live to see this milestone.

"I know Rick would be proud," she told me. She's "very optimistic" the new well is the start of a turnaround for the district.

For the good people of Rio Linda, I



The Rio Linda | Elverta Community Water District will be having a ribbon cutting ceremony for its newest well on October 25, 2012 at 1 p.m. This well is part of a 7.5 million dollar loan provided by the California Department of Health Services. The project was designed by Domenichelli and Associates and Constructed by Kock and Kock Construction. The new well has the capability to produce 2800 gallons per minute of drinking water and is a significant part of complying with the District's current compliance order issued by the California Department of Health Services. The ceremony takes place at the evell site on the northwest corner of 2 and 30th Streets in Rio Linda, California.



