

Agenda Item No. 6

SACRAMENTO LOCAL AGENCY FORMATION COMMISSION

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February 6, 2013

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. However, the overall financial condition continues to remain 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 December 5, 2012.

I. Board of Directors

Four new Board members took office on December 7, 2012. On January 5, 2013, the Board conducted a special meeting and workshop. This meeting included a Strategic Planning Workshop to discuss deferred maintenance, capital improvement projects and district financing.

On January 5, 2013, the Board increased rates previously approved but not implemented. The motion carried 5-0-0. However, the Board suspended the collection of the Standby

fee that was recently approved. Staff was directed to provide additional information and report back to the Board.

It appears that the new Board is attempting to take positive actions to improve Board meetings and develop a long term financial and operational strategy for the District.

II. Progress of Well and Pipeline Construction

Well No. 15

Well No. 15 is operational and can produce approximately 2,800 gpm. This well remains operational however, adjustments and modifications to the chlorination equipment have been required.

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 in-lieu of drilling another well. 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. The District continues to work with CDPH to finalize the next phase of construction.

Well No. 3 Reactivation Project

CDPH approved the Water Supply Amendment Request for Well No. 3. The Well has been changed from inactive to active. A new variable speed chemical feed pump needs to be installed. The pump has been ordered and delivery is expected in early December. The well should be operational after the new pump is installed and tested. This Well is expected to produce 600 gpm. Adjustments and modifications to the chlorination equipment are still underway.

Well No. 5 Elverta Booster Station Pipeline Replacement Project

Funding for the pipeline has been added to the State Revolving Loan and Capital Improvement Program. This pipeline and booster station is needed to address low water pressure issues for a remote portion of the District service area. Additional engineering studies are being conducted to determine the most cost effective solution to correct the low pressure to this area. CDPH has requested that the funding request for this project be removed from the Scope of Work for State Revolving Funds. The District is therefore amending its supplemental request related to the State Revolving Loan. Therefore, this project will have to be funded from the District's General Fund or Reserve account.

Hydro-pneumatic Tank Evaluation

Recently, the District was notified that it is required to test and evaluate tanks for safety purposes. The District is developing a cost estimate for this test program. This project was not included in the current year budget. On December 17, 2012, the Board agreed to test and evaluate each tank for a total cost of \$2,250. After testing is complete, staff will provide the Board with the evaluation and cost, if any, to make required repairs.

Overall Operations

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

Urban Water Management Plan

On December 17, 2012, the Board adopted the District's Urban Water Management Plan.

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.

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 **are not** 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 \$100,000 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.*

The District Attorney's Office has returned financial records from previous years. Also, the District is making progress to address this year's and previous year's audit findings. A summary is attached to this report. The financial records from the District Attorney's Office will be useful in addressing some of the Auditor Findings.

Operating expenditures except for legal expenses are under budget for the current fiscal year.

Staffing and Employee Relations

No significant issues to report.

Liability Insurance

At the December, 2012 ACWA meeting, ACWA 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.

District Operations

The General Manager's report for December 8, 2012 to January 8, 2013 is attached highlighting the status of various district operations.

Elverta Specific Plan Development Project

Currently, the CDPH has imposed a building moratorium until the District has complied with the outstanding Compliance Order. The developer for the Elverta Specific Plan area is currently working with the Army Corps of engineers to obtain wetland permits in order

to get approval to construct on approximately 583 acres. The District has also met with the developer to discuss construction of approximately 2,400 new homes and the requirements for infrastructure and a service plan to serve the proposed development. However, prior to construction, CHDP will have to lift the building moratorium. Therefore, it is becoming increasingly crucial that the District complete the wells and/or tank so that building permits can be issued.

Pending Litigation as of January 14, 2013

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). Pending Litigation - Joseph Sherrill. Sac. Superior Court Case # 34-2011-00103481.

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 # 34-2012-8000-1135.

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 # 34-2012-8000-1095.

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 # 34-2012-8000-1108.

5.) CONFERENCE WITH GENERAL COUNSEL - The Board of Directors will meet in closed session pursuant to Government Code § 54957(b)(1). Public Employee Evaluation-General Manager.

V. Summary of Issues

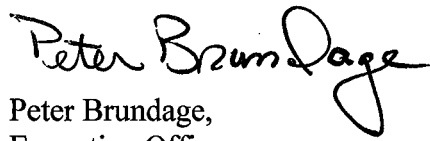
Overall the District is providing adequate water service to the community and progress is being made to address the water supply capacity issue. However, there are two significant issues: the inability of the District to obtain liability coverage for employment practices and the overall financial condition 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

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

Peter Brundage,
Executive Officer

Attachments

Managers Report

December 8, 2012 to January 8, 2013

On December 11, 2012 I walked well site #15 and determined the final punch list items with the contractor, field inspector, lead operator and Engineers from Affinity and Dominichelli & Assoc.

On December 12, 2012 there was a mandatory settlement conference on the Sherrill case. This conference was several hours with the end result being another settlement conference should be held at a future date.

On December 13, 2012 the bimonthly SGA meeting was held the 2012 audit was presented, they elected new officers and there was an update on the groundwater management program.

On December 15, 2012 The District yard was broken into late in the evening. They cleaned out all of the tools from the trucks and all copper and brass that had been removed from repairs that was on the Vactor truck. There were also a couple of large tools that were taken but recovered on the bike trail as they had our name all over them and could not be sold. Staff has been instructed to keep all vehicles and tools locked up after hours.

On December 19, 2012 I was interviewed by CBS news regarding our standby fee to inactive customers. They have made several inquires since that date and are waiting for the Board's final decision on the fees before deciding if they will air the story.

On December 20, 2012 the monthly SAWWA meeting was held we had a presentation on the new Water Efficiency Program that RWA is providing this year along with a presentation by a speaker on public outreach needs of public agencies.

On January 2, 2013 the District yard was broken into again they took small hand tools off of the Vactor truck and broke into the side door of the garage. Only a weedwacker was taken from the garage which was later recovered on the bike path. I have requested the security camera company come and review the poor visibility of the cameras.

On January 3, 2013 there was a mandatory settlement conference regarding the Sherrill cases which lasted most of the Day.

On January 4, 2013 Heidi form Richardson and Co. came to look through the boxes of information returned by the District Attorney to find additional information for their bank audit. She will be returning again on the 11th of this month. The finance committee met to discuss the standby fee Resolution and the financial reports that will be provided at future meetings of the Board.

On January 7, 2013 I had a telephone conference with Richard Hinrichs District Engineer for CDPH regarding our newest amended engineering report. He had concern that the tanks estimated cost was so high that there was not enough money to complete the pipeline that is now included in the project. I am gathering additional information for him regarding this issue. Later that evening there was a finance committee meeting to review the month's expenditures and reports.

On January 8, 2013 I met with California Rural Water Assoc. Region One and reviewed software that would streamline operations. This streamlining includes Consumer Confidence report information, lab testing information, backflow preventer testing information, inventory and other items.

Later that day I met with Jim Crowley, Jim Carson the planning committee and the Elverta Specific Group regarding their interest in moving forward with phase 1 of their project. This would include approximately 2400 homes in the area. It was determined that a review of past water system design work would have to be done due to new regulations regarding water supply. A proposed scope of work along with a 3rd party agreement will be presented at the next meeting of the Board. This will be reviewed by District Counsel before the meeting. I also met with our security camera company to determine why the cameras do not work well at night and a fence contractor to make permanent repairs to the fence. I received a bid for replacing the door that was damaged during the January 2, 2013 break in. I will be looking for other bids on this project.