

**SACRAMENTO LOCAL AGENCY FORMATION COMMISSION**

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**December 1, 2010**

**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.

**DISCUSSION:**

1. This report summarizes the basic steps and process required for the Commission to initiate a reorganization proposal.
2. This report summarizes the events that have occurred since the November 3<sup>rd</sup> Commission meeting.

**Critical Issues for a Commission Initiated Reorganization Proposal**

In order to initiate a reorganization proposal, there must be a capable agency *willing* to provide water service to the affected territory and a service plan must be prepared and submitted to LAFCo for evaluation before the Commission would be able to initiate a Reorganization Proposal.

The attached letters have been sent to Sacramento Suburban Water District and the County of Sacramento to determine if either agency would be willing to serve the RLECWD and if they would be willing to fund and provide LAFCo with a plan for service.

However, it may be difficult for the successor agency to provide a detailed service plan because it may be difficult to determine the amount of deferred maintenance that might exist, and potential financial risk related to potential litigation and accounting issues that might be discovered after the Reorganization is complete.

Consequently, there appears to be several areas of risk for a successor district or agency associated with this type of proposal. Thus, successor districts or agencies might not be interested or willing to assume the risk and uncertainties. In addition, it may be difficult for the new district or agency to increase rates to cover the cost of service because rate increases are subject to the Proposition 218 process. Therefore, it may be problematic to find an interested district or agency in this situation where the Reorganization proposal is initiated by the Commission especially if there are probably not any significant benefits for the successor district.

Nonetheless, the process and statutory requirements of a Commission initiated Reorganization proposal are relatively straight forward as described below.

### **LAFCo Process to Initiate Reorganization Proposals**

Basically, the reorganization process and requirements for a Commission initiated reorganization proposal are the same as any other reorganization proposal submitted to the Commission by either petition or Resolution Making Application. The differences are noted below with respect to *determinations and protest threshold requirements*. In addition the Commission may but is not required to refer the proposal to a Reorganization Sub-Committee appointed by the Commission to review the proposal and provide recommendations to the Commission.

### **Basic Steps**

1. Commission adopts Resolution initiating a Reorganization proposal
  - a. The reorganization must be consistent with a recommendation or conclusion of a study such as a Municipal Service Review or Sphere of Influence Study.
  - b. *In addition, there needs to be an agency capable and willing to annex and provide service to the affected territory. The agency would need to provide a plan for service to LAFCo for review and consideration. The plan for service would need to be funded by the agency or some other means to be determined.*
2. Executive Officer notifies affected agencies and interested parties of the reorganization proposal to determine impacts to affected agencies.
3. Initiate environmental review of the proposed project. (Note: In most previous reorganization proposals have been exempt from the California Environmental Quality Act).

4. Executive Officer prepares Executive Officer's Report and Recommendation after evaluating the plan for service and other issues that have been identified.
5. Commission holds a public hearing and approves, modifies, or denies the Executive Officer's recommendation. Commission must make the following determinations per Government Code Section 56881:
  - i. Public service costs of a proposal that the Commission authorizing are likely to be less than or substantially similar to the costs of alternative means of providing services.
  - ii. A reorganization that is authorized by the Commission promotes public access and accountability for community services needs and financial resources.
  - iii. The Commission may impose appropriate terms and conditions for the Reorganization proposal. The Commission would have to address employee transition, labor agreements, retirement system issues and representation of the Rio Linda Elverta community.
6. If approved, the Commission's decision is subject to a 30-day Reconsideration period and a protest or Conducting Authority Hearing.
7. If sufficient protest is submitted, the Commission would order an election on the Reorganization proposal.
8. Reorganization is effective if there is not sufficient protest or if there is not a majority vote opposing the reorganization.

Note: The Commission initiated proposal is subject to reconsideration and protest hearings pursuant to GC Section 57008. The Commission must submit the reorganization proposal for confirmation by the voters if the Commission finds that at least 10 percent of the registered voters submit a petition requesting that the proposal be confirmed by the voters residing within the affected territory

### **Summary of Events**

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| October 21, 2010 | Sent Letter to Rio Linda Elverta Community Water District requesting additional information.   |
| November 3, 2010 | Commission meeting. Commission directed Executive Officer to send a letter to RLECWD with several recommendations regarding operations and requesting supplemental information. In addition, the Commission directed staff to contact Sacramento Suburban Water District and Sacramento County Water Agency to see if these agencies would be willing to annex and to prepare a plan for |

service in the event the Commissions initiates a reorganization of RLECWD. (Letters Attached).

- November 4, 2010 Attended RLECWD Board meeting and delivered letter per Commission direction.
- In closed session RLECWD Board of Directors appointed a permanent General Manager.  
RLECWD Board initiated the Process to commence the Prop 218 process for a proposed rate increase to qualify for State funds.  
RLECWD approved a five-year contract to hire an auditor to conduct the financial audit for June 30, 2010 as well as for the next four years.  
RLECWD entered into a month to month contract for billing services.
- November 12, 2010 RLECWD held a Special Meeting and confirmed the appointment of a new permanent General Manager.
- November 15, 2010 Received response from RLECWD on request for information dated October 21, 2010 (note: LAFCo office was closed on November 12, 2010).
- November 15, 2010 LAFCo staff attended Sacramento Suburban Water District Board meeting to provide update on RLECWD. Requested Sacramento Suburban Water District to consider renewal of interconnection agreement that terminates on March 31, 2011 and advised the Board they would be receiving a letter for their consideration to ask if they would be willing to serve the Rio Linda Elverta Community and also provide LAFCo with a plan for service in the event the Commission decides to initiate a reorganization proposal based on direction from the Commission on November 3<sup>rd</sup>.
- November 17, 2010 RLECWD posted an announcement on their web site indicating they were accepting applications for all positions except the General Manager.
- November 18, 2010 Sent letter to Sacramento Suburban Water District and Sacramento County to request if these agencies would be willing to annex RLECWD and suggested collaboration in developing a plan for service and financing the reorganization study.
- November 18, 2010 Provided information to RLECWD regarding continuing education offered by the California Special District Association entitled "How to be an Effective Board member".

December 20, 2010 RLECWD scheduled to hold its first Board meeting in December,  
with newly elected Board members.

Respectfully,

**SACRAMENTO LOCAL AGENCY FORMATION COMMISSION**

Peter Brundage  
Executive Officer

Cc: Rio Linda/Elverta Community Water District  
Sacramento Suburban Water District  
County of Sacramento

