

Agenda Item No. 7

SACRAMENTO LOCAL AGENCY FORMATION COMMISSION

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

March 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 (L AFC 07-10)**

RECOMMENDATION

1. Receive and file status report.
2. Presentation by California Department of Public Health based on Commission request from February 2, 2011.
3. The Commission may also consider appointing a sub-committee to request a meeting with a sub-committee of the RLECWD Board to discuss progress and other issues.

DISCUSSION

This report summarizes the actions, developments, and events related to the Rio Linda Elverta Community Water District that have occurred since February 2, 2011. The meeting with the California Department of Public Health is scheduled for March 1, 2011 and will include Chris Tooker, Chair. A supplemental report and information summarizing that meeting will be provided to the Commission on March 2, 2011.

The following points summarize developments related to RLECWD:

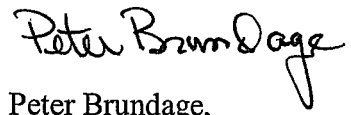
- On February 8, 2011 LAFCo staff sent a letter to RLECWD suggesting they consider a peer review of district operations to be performed by local water

district General Managers at no cost to RLECWD. The District has not responded to this suggestion. (Copy of letter attached).

- Contacted California Department of Public Health to set up a meeting with State Officials on status of RLECWD. Also, requested that the CDPH attend LAFCO's March 2, 2011 meeting to address the Commission. The meeting has been scheduled for Tuesday, March 1, 2011. An update will be provided.
- February 9, 2011 received a letter from California American Water to RLECWD indicating they would be interested in meeting with RLECWD to consider acquisition of the RLECWD. (Copy of letter attached).
- On February 16, 2011, RLECWD requested assistance from LAFCo to request General Managers of several local water districts to participate in interviewing candidates for the RLECWD General Manager position. Interviews are tentatively scheduled for February 28, 2011.
- On February 18, 2011 staff sent another letter to RLECWD requesting updated information on District financial and operational status. (Copy of letter attached). On February 24, 2011, the RLECWD Acting General Manger contacted LAFCo staff and indicated that it may be difficult to provide a response as requested due to staffing and fiscal constraints. RLECWD has agreed to provide a written response outlining a proposed timeframe to submit the requested information.
- On February 23, 2011 LAFCo staff contacted Sacramento County Public Health Officer to determine the legal process and requirements to issue a Declaration of Emergency. Based on a discussion with CDPH, the County Public Health Officer can declare an emergency in the event there is a public health and safety issue related to safe drinking water. The County Health Officer can declare a state of emergency subject to approval by the Sacramento County Board of Supervisors when the public health is threatened and take any action necessary to protect public health. At this time, CDPH does not believe that there is sufficient justification to declare such an emergency. The County Health Officer has not seen any increase in water related illnesses in the Rio Linda/Elverta Community. The purpose of this inquiry was to determine the authority and legal requirements necessary to declare an emergency. (Copy of e-mail attached).
- RLECWD scheduled a Prop 218 public hearing on a proposed rate increase for March 7, 2011.

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



SACRAMENTO LOCAL AGENCY FORMATION COMMISSION

1112 I Street, Suite 100 • Sacramento, CA 95814 • (916) 874-6458 • Fax (916) 874-2939

www.saclafco.org

February 8, 2011

Ravi Mehta, General Manager
Rio Linda Elverta Community Water District
730 L Street
PO Box 400
Rio Linda, CA 95673

COPY

Dear Ravi;

I propose a suggestion that may be beneficial to the Rio Linda Elverta Community Water District and its customers. I believe it would be very useful for RLECWD to request a peer review of District financial, managerial, and operational practices. This peer review would evaluate District procedures, standards, controls, and policies.

At your request, I will ask several local General Managers to conduct a peer review through a team approach at no cost to RLECWD. The review would not result in any operational control over RLECWD operations. It is simply intended to provide your Board of Directors with a fresh objective review and evaluation in order to provide suggestions to improve internal controls and procedures. Also, it would provide an overall assessment of District operations in order to assist the new General Manager to develop a sustainable business strategy. Finally, this peer review may provide objective information for the Sacramento Local Agency Formation Commission to evaluate the current status of District operations.

Please call me to further discuss this positive path forward.

Very truly yours,

SACRAMENTO LOCAL AGENCY FORMATION COMMISSION

Peter Brundage

Peter Brundage,
Executive Officer

cc: LAFCo Commissioners
RLECWD Board of Directors
Nancy Miller
Sacramento Grand Jury
Kim Wilhelm, CDPH





CALIFORNIA
AMERICAN WATER

COPY

RECEIVED

FEB 14 2011

California American Water - Sacramento

4701 Beloit Drive

Sacramento, CA 95838

amwater.com

February 9, 2011

SACRAMENTO LOCAL AGENCY
FORMATION COMMISSION

Ms. Courtney J. Caron
Board President
Rio Linda/Elverta Community Water District
730 L Street
Rio Linda, CA 95673

Dear Ms. Caron:

As you may be aware, California American Water serves approximately 60,000 households in Sacramento and Placer Counties, with part of our service area contiguous to your water district boundaries. We also serve portions of Los Angeles, Monterey, San Diego, Sonoma and Ventura counties. California American Water is a wholly-owned subsidiary of American Water, the largest investor-owned water and wastewater utility in the U.S. Together with American Water, we have a talented group of professionals across many functions.

I have been following the developments at Rio Linda/Elverta Community Water District, and have given some thought as to how our company could be of assistance. We possess the managerial and technical skills to address the water quality, pressure and consumer confidence issues faced by the district. With our expertise and geographic proximity, it makes sense for us to consider the acquisition of your water system.

As you likely know, we are regulated by the California Public Utilities Commission which determines both the areas where we provide service and the rates we charge. I am cautious, yet optimistic, that we may be able to find a solution which benefits your customers. Please let me know if there is a time you might be willing to either meet in person or discuss this via phone at (916) 568-4259.

Sincerely,

Andrew T. Soule
General Manager, Northern Division

cc: Rio Linda/Elverta Community Water District Board
Kim F. Wilhelm, P.E., Drinking Water Field Operations, California Dept. of Public Health
Peter Brundage, Executive Officer, Sacramento County LAFCo
Phil Serna, Sacramento County Supervisor



February 18, 2011

Honorable Courtney Caron, President
Ravi Mehta, Acting General Manager and General Counsel
Rio Linda/Elverta Community Water District
730 L Street
P.O. Box 400
Rio Linda, CA 95673

RE: Sacramento Local Agency Formation Commission – Reorganization of Rio Linda/Elverta Community Water District

Dear Ms. Caron and Mr. Mehta:

Sacramento Local Agency Formation Commission (LAFCo) has conducted a Municipal Service Review (MSR) of the Rio Linda/Elverta Community Water District (RL/ECWD). On October 21, 2010, and November 4, 2010, LAFCo requested that RL/ECWD provide various documents to assist with MSR process. Unfortunately, many of these documents were not provided.

On February 2, 2011, the Commission directed staff to continue working to assess the financial liabilities of the RL/ECWD and to evaluate the possibility of reorganizing RL/ECWD. To assist with this process, please provide the following documents, including all documents that were not provided in response to our previous requests:

1. First and second quarter expenditure reports for FY 2010-2011 (as requested October 21, 2010), including a detailed listing of RL/ECWD's outstanding debts due to (i) contractors, (ii) personnel, (iii) utilities, and (iv) all others, and detailed information regarding RL/ECWD's accounts payable, including the age of all accounts (e.g., 30 days past due, 60 days past due, 90 days past due, longer than 90 days, etc.);
2. Report listing cash on hand at the end of each month during fiscal year (FY) 2009-10 and FY 2010-11 (as requested October 21, 2011);
3. Monthly financial statements showing expenditures for FY 2010-2011 (as requested October 21, 2009);
4. Current number of employees, number of represented employees, organizational chart, and employee salary schedule (as requested October 21, 2010);
5. Copies of all professional service agreements, including Proposition 218 consultant and auditor (as requested October 21, 2010);
6. Personnel policies, contracting procedures, and purchasing procedures (as requested October 21, 2010);
7. Copy of any Routine Inspection and Maintenance Program not included within request 9;
8. Detailed listing of deferred maintenance items, and/or maintenance plan, including estimated cost of each item (as requested November 4, 2011);



9. A capital improvement plan, including monthly updates regarding ongoing capital improvements, operations and maintenance improvements, and current information regarding the planning, design, and construction of wells 15, 16, and 17 (as requested November 4, 2010);
10. Copy of any Routine Inspection and Maintenance Program not included within the items requested in Item 9, above;
11. Fund balance in RL/ECWD's capital fund for well construction, if separate from the items requested in Item 2 above;
12. Copy of RL/ECWD's contracts for well-drilling (as requested October 21, 2010 and November 4, 2010);
13. Summary of all active and pending litigation involving RL/ECWD (as requested October 21, 2010), including the monetary demand for each claim and estimated litigation costs;
14. Summary of any investigation made public on the issues of credit card use by employees and time sheet irregularities;
15. Copies of all letters sent to rate payers since September 1, 2010;
16. Compliance plan charting the course to satisfy the two outstanding CDPH Compliance Orders in effect, including a five year operational and financial plan that demonstrates that the District can effectively and efficiently operate a safe and sustainable community water system (as requested November 4, 2010);
17. Monthly updates on the currently Proposition 218 process and a status report on the NOAA and CDPH loan (as requested November 4, 2010); and
18. Please provide an audited financial statement for FY 2009-2010 as requested October 21, 2010.

If you have any questions or need additional clarification about the requested categories of documents, please contact us as soon as possible. Please provide copies of all documents requested within 10 days of receiving this letter.

Respectfully,

SACRAMENTO LOCAL AGENCY FORMATION COMMISSION


Peter Brundage
Executive Officer

cc: Nancy Miller, Commission Counsel



Brundage. Peter

From: Trochet. Glennah
Sent: Wednesday, February 23, 2011 2:42 PM
To: Brundage. Peter
Cc: Ryan. Robert; 'Nancy Miller'
Subject: RE: Rio Linda Water District

Hi Peter,

Yes, the Health Officer can declare a state of emergency when the public health is threatened and take any action necessary to protect public health. The Board of Supervisors then has to ratify this state of emergency at their next scheduled meeting or within 7 days, whichever comes first, or the declaration lapses. In my tenure as Health Officer I have declared a state of emergency only once, (2009 during the H1N1 pandemic) and at that time I discussed it with the Board Chiefs of Staff ahead of time to make sure that the Board of Supervisors agreed.

I discussed the Rio Linda Water District's problems with the CDPH District Engineer when the Grand Jury report first came out. At that time he told me that he did not believe that the health of the rate payers in that district was at risk. A search of our records did not show an increase of water-related illnesses in Rio Linda either.

I would declare a state of emergency in this case if I had evidence that the water quality was so poor that there was a potential of spreading disease to the residents of Rio Linda. I wouldn't need actual diseases to occur, a decrease in water quality below acceptable levels would be enough for me. I would have to rely on the CDPH District engineer's judgement to know that. Of course, if we start seeing diseases related to the water quality, that would be another reason for declaring a state of emergency related to the water district.

Before declaring a state of emergency I would work with County Counsel, LAFCo and the CDPH drinking water program to find an alternative solution to the problem. County Counsel would tell me what the legal next steps would need to be. I imagine that the CDPH drinking water folks would have to take over the running of the district until an alternative could be found. We would need to work this out before declaring the emergency.

I hope this helps you.

Sincerely,
Glennah Trochet M.D.

From: Brundage. Peter
Sent: Wednesday, February 23, 2011 10:48 AM
To: Trochet. Glennah
Cc: Ryan. Robert; 'Nancy Miller'
Subject: Rio Linda Water District

Glennah,

LAFCo has been evaluating the Rio Linda Water District. We have been in touch with the California Department of Public Health as well as the Sacramento Grand Jury. The Rio Linda Water District is under two Compliance Orders from the State to increase water production capacity and to address a number of other issues. LAFCo has been trying to evaluate the possible reorganization of the District with another local provider (Sacramento County Water Agency and Sacramento Suburban Water District). Note: Neither Sacramento Suburban Water District or Sacramento County Water Agency are interested in annexing Rio Linda Water District. For a number of reasons it appears that it is more difficult for LAFCo to reorganize the District and also it is not easy for the State to put the District into a Receivership to find an interim operator.

Last week I had a conversation with Kim Wilhelm, CDPH District Engineer, he indicated that the County

2/23/2011

Health Officer could declare an emergency if there are public health and safety issues. He also indicated that while Rio Linda Water District has problems, the District is still currently meeting safe drinking water standards though from time to time the District may lack adequate water pressure, however, water quality has not been a problem.

I would like to be able to explain to the Commission that in the event the District fails to meet safe water quality drinking standards and if there is a public health and safety problem, it would be possible for the County Health Officer to declare an emergency. Could you provide me a brief description of the process and findings that would be required to justify the Declaration of an emergency.

Thanks

Peter Brundage
874-5935