

SACRAMENTO LOCAL AGENCY FORMATION COMMISSION

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

May 2, 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 is providing adequate water service to the community and progress is being made to address the water supply capacity issues. The District is slowly making progress to correct its water supply deficiencies and operational issues, however, the District remains in a fragile condition because the Board continues to feud amongst itself and with several customers who regularly attend the Board meetings. The following summarizes the significant issues and concerns that continue to exist:

1. Potential cancellation of Liability Insurance;
2. Difficulty related to Board meetings;
3. Minimal cash flow to build up a financial reserve; and
4. 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 April 4, 2012.

I. Board of Directors

The Board of Director's met on April 16, 2012 for a regular meeting. Four Board were present and Courtney Caron was teleconferencing in accordance with legal protocols. Two Board members walked out of the meeting because Ms. Caron was not physically present. As a result, the meeting was cancelled/continued because there must be three Board members at the physical location of the public meeting to conduct business. A special meeting has been scheduled for Sunday, April 29th.

This seems to be an on-going problem and issue with Board meetings. Also, Board meetings are contentious and out of order. As a result, this will likely have a negative impact on district operations. The General Manager has expressed concerns to me that this is making it increasingly difficult to manage and operate the water system under these circumstances.

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 should commence shortly. The tentative construction schedule is attached to this report.

The contract amount is for \$1.2 million and is budgeted in the State loan.

Well No. 14

CDPH has authorized the District to proceed with drilling of the test well at this location. On March 19, 2012, the Board approved the contract to commence the test well. Construction is anticipated to commence in May, 2012.

The District estimates that the test well will be approximately 500 feet deep to reach the mid-aquifer. If both water quality and water quantity are satisfactory the District will proceed with a permanent well and facilities. Once water quality and quantity are known, the District will determine if a third well will be required to meet CDPH Compliance Orders.

The tentative construction schedule is attached. It is anticipated that work should commence by May 1, 2012 and be complete by May 17, 2012.

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. This is an annual agreement and expires in Spring of 2012. 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

The Board of Directors is considering imposing a hiring freeze even though an evaluation indicates that approximately 2.5 positions are needed. Currently, two employees need to complete training in order to apply for their Operator 3 certification. One operator obtained certification for backflow preventer class and the District now has two certified testers on staff.

Urban Water Management Plan

The General Manager is recommending a contract for Board approval to hire a contractor to prepare and update its Urban Water Management Plan. The Contract was not approved by the Board on April 16th, because the meeting was cancelled due to a lack of a quorum as discussed above.

Liability Insurance

The Association of California Water Agencies (ACWA) has notified the District that they are considering cancelling the District's liability insurance because of the many previous and pending lawsuits. The Executive Committee of ACWA met on January 31, 2012 to consider whether to recommend to their Board to cancel the insurance for property losses

and liability claims. The Executive Committee will bring a recommendation forward at the spring ACWA Conference on May 7, 2012.

RLECWD has contacted several other insurance carriers to obtain Property and Liability Insurance. To date, the District has not received any binding offers to provide insurance should ACWA terminate coverage at their May 2012 Conference and board meeting.

District Operations

The General Manager's report for March 14, 2012 to April 10, 2012 is attached highlighting the status of various district operations.

Mary Henrici's contract terminates on June 1, 2012. The Board's last meeting before June 1st is May 21st.

CDPH has written a letter complementing Mary Henrici on her performance. A copy of the letter is attached to this report.

Pending Litigation as of April 16, 2012

Currently, the pending litigation is related to a former General Manager and a former employee.

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(b)(1) - Pending litigation matter for Liz Myers, United States Federal District Court Case # 2:11-cv-02671-MCE-EFB.

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 # 34-2011-00103481.

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 # 34-2012-8000-1095.

6) 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.

7) 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.

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. Potential cancellation of Liability Insurance;
2. Difficulty related to Board meetings;
3. Minimal cash flow to build up a financial reserve; and
4. 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

Peter Brundage,
Executive Officer

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

Attachments