

**Rio Linda Elverta Community
Water District**

**Draft Municipal Service
Review**

November 3, 2010

RECOMMENDATIONS

- Commission not accept Draft MSR
- Require Compliance with CDPH Orders
- Require RLECWD submit a long-term operational and financial plan by 2-1-2011
- Direct staff to explore possible Reorganization of RLECWD with adjacent water providers

BACKGROUND

- Independent Special District
- District formed in 1948 to provide water service (and sewer service until 1976)
- 17.8 square miles
- 4,616 metered accounts (14,750 residents)
- Water Supply – Ground Water
- 5-member Board of Directors (at-large)

PRIMARY ISSUES

- Based on public health and safety concerns, the District is subject to two Compliance Orders issued by CDPH and subject to a building moratorium
- Water Supply is not adequate to meet current demand
- Water Pressure has been a problem
- Backflow prevention and cross-connection program may be deficient

PRIMARY ISSUES

- **Infrastructure Deficiency**
 - Inadequate number of wells to meet potable water supply & fire flow requirements
- **Inadequate Rates**
 - Rates are not sufficient to construct the wells to meet water supply concerns

SECONDARY ISSUES

- Management turnover/lack of organizational stability
- Financial Integrity
 - Lack of Operating Reserves
 - On-Going Concern
 - Lack of sound Financial and Management Practices
 - Operating losses

SECONDARY ISSUES

- Lack of long range financial plan
- Inadequate operational & maintenance practices and procedures
 - Non-compliance with state reporting requirements
 - Lack of annual backflow prevention and cross-connection review and inspection

SUMMARY

- District has a number of unmet organizational needs in several different areas
- Financial uncertainty based on audited financial statements
- Based on the number of issues, the District may have difficulty in meeting all of the objectives in a timely manner

CDPH Requirements

- District needs to construct three new wells
- Estimated Cost: \$7.5 million
- CDPH has drafted a Notice of Application Acceptance to set aside the funds
- District needs a rate increase of \$5.46 per month or \$10.92 bi-monthly to qualify for state loan

District Compliance Efforts

- District constructed one high capacity well, 1,500 gpm (well was not used)
- District has acquired three well sites
- District has drilled one test well – not yet in production
- District has implemented a 3-phase rate increase (rate surcharge) for development of wells to comply with CDPH

District Compliance Efforts

- District still has an estimated rate deficiency of \$10.92 bi-monthly to qualify for State Loan
- District has not yet initiated the Prop 218 process to implement the required rate increase
- District required reporting to CDPH appear to be problematic

NEXT STEPS

- LAFCo can establish benchmarks
- LAFCo can initiate a more detailed Reorganization Study; or
- LAFCo can request Reorganization Proposals from surrounding water providers and then adopt a Resolution to initiate Reorganization if the Proposals address the concerns identified in this report

LAFCo Benchmarks

- RLECWD shall provide monthly updates to LAFCo
- RLECWD shall adopt a Resolution to initiate an adequate rate increase pursuant to Prop 218 by Feb 1, 2011
- RLECWD shall develop a 5-year financial & operational plan to address infrastructure and organizational deficiencies by Feb 1, 2011
- RLECWD shall comply with CDPH reporting and monitoring requirements immediately

Reorganization Steps

- LAFCo may initiate a reorganization if that change is consistent with a recommendation or conclusion of a study such as an MSR (GC 56375)
- Sacramento LAFCo policies also provide that a Reorganization may be triggered by an identified threat to Public Health and Safety

CKH REORGANIZATION DETERMINATIONS

- "Public service costs of proposal that the Commission is authorizing are likely to be less than or substantially similar to the costs of alternative means of providing service; and
- A Reorganization that is authorized by the Commission promotes public access and accountability for community service needs and financial resources"

LAFCo EVALUATION

- Evaluation would be consistent with Sacramento LAFCo Policies related to Reorganizations
- Environmental Evaluation
- LAFCo would also consider:
 - Public Health and Safety Issues
 - Boundary Issues
 - Employee Issues
 - Retirement Issues
 - Representation Issues
 - Financial Issues

LAFCo EVALUATION

- Evaluation of Proposed Service Plans:
 - Can an alternative service entity provide a similar or better level of service to the area being Reorganized without negatively impacting its current service area
 - Does the alternative service provider have the technical and managerial expertise to operate a larger system and fix the problems

REORGANIZATION ISSUES

- An alternative service provider may not be interested in annexing a district that is having difficulties for a number of reasons
- Annexing District may not be able to raise rates if ratepayers in the service territory do not approve a rate increase through the Prop 218 process
- New district might not be able to accurately assess the amount of deferred maintenance and financial risk that may exist (actual condition of all water production and distribution systems)