June 23, 2010

Honorable Steve White  
Presiding Judge of the Sacramento Superior Court  
720 Ninth Street, Department 47  
Sacramento, CA 95814

Subject: Rio Linda / Elverta Community Water District Responses to the Sacramento Grand Jury Report

Dear Judge White,

In accordance with Penal Code Section 933.05(f), the Rio Linda / Elverta Community Water District (District) hereby respectfully submits the following responses and rebuttals to the 2009/2010 Sacramento Grand Jury Report concerning the findings and recommendations provided in the interim report.

**Grand Jury Finding 1.0** - The District does not have adequate, reliable sources of water supply to meet the requirements of its existing customers based on acceptable standards of service and requirements of the California Department of Public Health (CDPH) Water Supply Permit.

**Response** - The District recognizes the need to increase the sources and amounts of water supply to meet the current and future needs of the community. To this end, the District is aggressively working with CDPH officials to overcome the deficiencies cited in Compliance Order No. 01-09-09-CO-004 by developing more Source Capacity through the installation of three new high capacity production wells positioned in strategic locations throughout our distribution system. The engineering plans have been presented to and approved by CDPH to complete the installation of one new well by fall 2010, and two additional wells by spring 2011 as required to meet the Compliance Order directives. The District has an intense construction schedule to improve or enhance all health, reliability and safety requirements throughout the system immediately.

**Grand Jury Recommendation 1.1** - The District should give immediate priority to negotiating and implementing additional emergency and peak demand water supplies from neighboring water utilities.
The District installed an intertie with Sacramento Suburban Water District in the summer of 2007 with the intention of activating the connection whenever system pressures drop below safe operating levels. Records show the connection has been infrequently utilized, and only during periods when summer temperatures exceed 100 degrees, or when local production wells are being serviced. Additional studies and engineering reports suggest developing or rehabilitating wells and installing storage facilities are more viable ways to overcome the current peak demand shortages. The District’s 2008-2013 Capital Improvement Plans address the need to put new wells on line immediately, and complete the installation of a storage tank shortly thereafter.

Grand Jury Recommendation 1.2 - The District must give high priority to completion of at least one new high capacity well while at the same time proceeding expeditiously with the completion of additional supply improvements to meet CDPH water Supply Standards and satisfy conditions of its two Compliance Orders.

Response - As described in the response to Finding 1.0, the District is well ahead of schedule with meeting the requirements of all CDPH directives to complete the installation a high capacity well by fall 2010, and two additional wells by spring 2011. The District is on schedule to achieve these goals within an extremely short period of time.

Grand Jury Recommendation 1.3 - The District should acquire enough standby power capacity to meet at least average system demand during an electrical power outage.

Response - The District’s 2008-2013 Capital Improvement Plans include the need to install more generators to meet average system demands during electrical outages. The initial installations began in FY 2007/08 and will be continued until this backup power need is fully satisfied.

Grand Jury Finding 2.0 - The defective water system poses significant risks to public health and safety. The District must make a series of improvements to mitigate these risks.

Response - Measures to enhance and improve the water system began prior to the release of the Grand Jury report through a series of conferences and cleanup programs with CDPH and new management incentives. Top priority has been given to this issue. The District instituted and implemented revitalization procedures and repair schedules to protect the public by enforcing better Operations and Maintenance practices. Throughout March and April 2010, the District repaired numerous leaks and failing infrastructure. Currently, CDPH and the District have mapped out preventative maintenance practices and policies to correct this serious problem.

Grand Jury Recommendation 2.1 - The District must institute and maintain a backflow prevention program meeting all CDPH requirements.

Response - The District is well ahead of CDPH timelines to reinstate its Cross Connection Control and Backflow Prevention programs by developing Best Management Practices and O&M Manuals to maintain better control and monitoring in this area. Backflow Device testing began in late May 2010 and all devices within the District will be tested by late summer 2010 with reports provided to CDPH on a regular basis.

Grand Jury Recommendation 2.2 - The District must improve its water supply for fire suppression by increasing the available water supply to meet fire flow standards of the fire code and the Sacramento Metropolitan Fire District (SMFD) throughout the distribution system.

Response - The District has engaged in several measures to address this recommendation. Besides constructing the three wells previously mentioned, the District has hired an engineering company to begin looking at water main replacement programs to replace small diameter and aging pipelines for better reliability and flow capacity. Looping of various sections for redundancy and installing trunk lines in key distribution areas are in the design phase to overcome this deficiency. The new Administration has also opened better communication lines with SMFD representatives to stay abreast of fire
code regulations and flow requirements within the region.

**Grand Jury Recommendation 2.3** - The District should retain an independent consultant to conduct a risk survey concerning all security and illicit access deficiencies and the District should correct them.

**Response** - The District has engaged the services of both a security control and surveillance company and its own risk management insurance agency to enhance security at all District facilities. With Homeland Security as the guideline, further enhancements will be implemented in the coming months.

**Grand Jury Finding 3.0** - The District does not have a complete inventory of all equipment and assets owned by the District

**Response** - The District has regularly maintained records of all assets and has updated them regularly. Despite this finding, a complete inventory assessment is underway to validate and update records to develop Best Management Practices to prevent errors or oversight in this area.

**Grand Jury Recommendation 3.1** - The District should immediately conduct an inventory to account for all equipment and assets.

**Response** - It is underway and anticipated to be completed by August 2010.

**Grand Jury Finding 4.0** - The District has been torn by factionalism for years. Contentious behaviors by Board of Directors, General Managers, employees, employee Unions, concerned citizens and ratepayers have led to a dysfunctional organization. Self interest has prevailed over public service.

**Response** - The current Board of Directors and management are focused on more transparency to keep all interests better informed and working together. The District is committed to its objectives to provide safe and reliable water supplies while protecting and serving the community with unbridled determination and true obligation. The District and its Board of Directors are committed to being productive and proactive in all aspects of dedication to public service and in improving District business practices.

**Grand Jury Recommendation 4.1** - The Board of Directors and staff at the District should be trained in professional management and conduct, ethics, and respect for others.

**Response** - This recommendation is at the heart of what the Administration and Board of Directors had already begun to implement and enforce prior to the release of the Grand Jury findings. The District is taking steps to educate its ranks and invite the public to participate in forums designed to improve service related communications overall. This recommendation has always been important and tantamount to our mission.

**Grand Jury Recommendation 4.2** - The Board of Directors should conform and enforce performance standards for all levels of the District.

**Response** - This is being initiated by the management team and continuously practiced and monitored by the Board moving forward.

**Grand Jury Finding 5.0** - The Board of Directors has wasted the District’s assets. The Board of Directors and General Managers have spent funds on unsound purchases, investments, and legal expenses arising from inappropriate or ill-advised actions.

**Response** - In direct contrast to this finding, the District and its Board of Directors are hard at work correcting past practices of previous Administrations that proved to be detrimental and destructive to
the District. To take on such a monumental task requires dedication and funding that could be used elsewhere, but is necessary to restructure the institution from the ground up. Better accountability, transparency and communication is what the current Board is striving to achieve by engaging the services of professionals to quickly overcome and resolve several issues simultaneously. The direction the District and its Board of Directors are currently taking is in the best interest of the community to manage the District back to health with better control mechanisms and best institutional management practices throughout.

**Grand Jury Recommendation 5.1** - The Board should retain and take the counsel of professional experts in accounting, law, human resources, water utility management, engineering, and utility rate analysis.

**Response** - As previously mentioned, the District and the Board are involved in a variety of programs to seriously and expeditiously revamp the organization. It is one thing to look at the past to discredit and blame, and quite another to see where the District was already making significant progress with the aid of other professionals in the industry. The Grand Jury investigation and lengthy interview processes were conducted at a time when the District had already begun to take proactive steps to overcome the many problems that caused the downward spiral to occur. This recommendation is a sound one and the District had already moved into this realm before the interim Grand Jury report was published.

**Grand Jury Finding 6.0** - The Board of Directors is dysfunctional and misguided. Directors have often ignored recommendations of the General Managers and experts on financing and implementation of capital improvements to the detriment of the District. The Board has interfered with the day-to-day operations of the District.

**Response** - The Board fully understands its role to set policy and manage at a higher level. The Board continues to set standards that previous Boards only promised. The fact is this finding is dated because the new business direction was already being implemented when the Grand Jury was completing its fact finding campaign. The current Board of Directors is cutting to the chase by getting more facts and researching alternatives before venturing beyond their capabilities. This is where the essential need for better communications and education come into play after the misguidance and factional elements are effectively removed. Inasmuch as the Board has involved itself by delving into the operational framework of the District, it has done so to provide Administrative support so new Managers, who have no institutional knowledge of the District, do not make the same mistakes and/or follow misguided engineering and financial schemes that previous Administrations and General Managers directed. The record shows that the factional nature that has plagued the organization for years under previous Administrations resulted in several projects that went off course due to miscommunications and assumptions that were not warranted nor fully understood. While the Board is recognized as the policy making and leadership component of the District, it can only be effective in fulfilling its oversight responsibilities in accordance with the information they are given by the General Manager, District staff, or by independent sources. The General Manager appropriately seeks and appreciates the institutional knowledge, guidance and advice provided by the Board.

**Grand Jury Recommendation 6.1** - The Board of Directors should adhere to its own internal policies and stop micromanaging the daily operations of the District.

**Response** - The Board understands and respects the role of the General Manager. It also understands that the General Manager’s primary responsibility to run the daily operations of the District. The Board intends to ensure that the General Manager continues to fulfill his duties and responsibilities without Board interference, while also ensuring the Board does not fall short of its oversight obligations.

**Grand Jury Finding 7.0** - On numerous occasions Board members have violated the Brown Act and their own regulations regarding public meetings.
Response- This finding is baseless, unfounded, without true merit, and is categorically denied. The District and its Board members, at all times, ensure that they conduct all business pursuant to the mandates of the Brown Act. To that end, whenever the District has any Board meetings, it ensures that its General Counsel is present to guide on all legal matters, including compliance with the Brown Act.

Grand Jury Recommendation 7.1- The Board of Directors should regularly seek and follow legal advice concerning their obligations under existing meeting laws and regulations.

Response- The Board regularly seeks legal advice from the District’s General Counsel and follows its General Counsel’s legal recommendations.

Grand Jury Finding 8.0- Without major changes in governance, management, and resource utilization, the District is unable to satisfactorily correct its problems and provide high quality water utility services to its present service area and the remainder of the District area.

Response- This finding has been addressed throughout this response letter and the current Administration uses the proper governance and better management policies necessary to deliver quality service and better customer satisfaction. Major changes were already implemented during the Grand Jury’s fact finding period, and the primary objectives of the District are to deploy all necessary resources to ensure the needs of the community as a whole are more than adequately met. Under the current Administration, preventative measures are already in place with aggressive monitoring plans being laid to enhance management practices, and additional programs are being instituted to encourage and improve information sharing between the District and its ratepayers for the betterment of the community. The District’s Board and staff are committed to serving and protecting the interests of Rio Linda and Elverta by promoting quality assurance and customer satisfaction on a regular basis.

Grand Jury Recommendation 8.1- One solution to these problems is a reorganization of the District. All affected public agencies (CDPH, SacLAFCo, Sacramento Board of Supervisors, SMFD, Sacramento County Department of Health and Human Services, Rio Linda-Elverta Chamber of Commerce) and interest groups should formally urge the District’s Directors to declare their intent to reorganize the District.

Response- The Rio Linda / Elverta Community Water District effectively serves the best interests of the community. Every governmental entity can always do better, but the District is committed to serving its customers under the current organizational structure, and is confident that it will do so better than any other entity. We are already exploring any and all options that will enhance the operations of the District to continue to provide safe, reliable water and better services to our customers. Massive overhauling has begun with the aid of many organizations, both locally and beyond. This recommendation touches on only one solution, but our goal is to leapfrog beyond very quickly and effectively by aligning with industry standards that have been overlooked for far too long. The Rio Linda and Elverta communities are hotbeds for developer funded growth, and the District is doing everything necessary to prepare to meet the new challenges as the community expands further. Reorganization is one option, and not necessarily in the best interests of the community, but we are moving toward restructuring from within for the betterment of the District and the customers we serve.

Recommendation 8.2- SacLAFCo should immediately initiate a reorganization proceeding which includes completion of a Municipal Service Review (MSR), and a study of feasibility and alternatives for reorganization of the District.

Response- It is interesting that this recommendation came last because it suggests one agency might be the incentive, remedy, or push the District needs to repair its capacity and management problems.
before it dissolves into another agency. We have begun the MSR process with the commission, and anticipate favorable recommendations will come as a result of it, but this Grand Jury recommendation fails to recognize the many other remedies the District can embark upon. Reorganization and the resultant dismantling of what is already in place could potentially help destroy the community interests if the proper safeguards are not in place beforehand. The District is taking massive steps to revamp our entire structure and service capacity. We have aggressively and effectively aligned our scope with that of CDPH, and are moving quickly to beat the clock to better serve our customers with more reliability with greater water supply and quality. New programs are in the design process to rebuild sections of our distribution system that are weak or failing. We are working with SMFD to incorporate storage facilities for adequate standby fire protection. Our planning also involves more conservation efforts and community outreach to help sustainability. The District office and staff are evolving toward more professional representation and policy enforcement to protect and serve our customers more effectively. These are only a handful of examples of where the District is dramatically changing its image and business practices. This is not simply a declaration of what we intend to do, but rather, a report of what are in the works right now and will continue to be on an ever increasing level.

In closing, and on behalf of the entire Rio Linda / Elverta Community Water District, I would like to assure you that the Sacramento Grand Jury Report was well received by the Board of Directors and District staff because it was important to bring many issues to light. The intent of the District is to take the issues cited to heart and address them appropriately to keep our community vibrant and safe with better business practices and policies on the forefront of what we are doing each and every day.

I would like to take this opportunity to thank the members of the Grand Jury for their dedication and focus to conduct the investigation with fairness and openness. It is because of their determination our community will benefit.

The District respectfully submits this letter with appreciation for your time and interest to receive it. If you have any questions or require additional information, please contact me at 916-991-1000 or mcardenas@rlecwd.com as your needs arise.

Respectfully and earnestly,

RIO LINDA / ELVERTA COMMUNITY WATER DISTRICT

W. Mychael Cardenas
Interim General Manager

Cc: RLECWD Board of Directors
    Grand Jury Coordinator
    Sacramento County Board of Supervisors
    California Department of Public Health
    California Department of Water Resources
    SacLAFCo Commission
    Rio Linda-Elverta Chamber of Commerce
    Sacramento Metropolitan Fire District
    Sacramento County Water Agency
    Sacramento Groundwater Authority
    Regional Water Authority
    Ravi Mehta, District Counsel
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