



MARK PESTRELLA, Director

# COUNTY OF LOS ANGELES

## DEPARTMENT OF PUBLIC WORKS

*"To Enrich Lives Through Effective and Caring Service"*

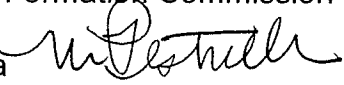
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September 19, 2019

IN REPLY PLEASE  
REFER TO FILE: **SWP-0**

TO: Paul Novak, Executive Director  
Local Agency Formation Commission

FROM: Mark Pestrella   
Director of Public Works

### **SATIVA WATER SYSTEM QUARTERLY REPORT ENDING SEPTEMBER 2019**

In accordance with Resolution No. 2019-00RMD of the Local Agency Formation Commission for Los Angeles County, attached is the second quarterly report on the County of Los Angeles' temporary management of the Sativa Water System.

Please address any questions regarding this report or other matters concerning the Sativa Water System to Deputy Director, Daniel J. Lafferty. Mr. Lafferty can be reached at [dlaff@pw.lacounty.gov](mailto:dlaff@pw.lacounty.gov) or (626) 458-4012.

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**Sativa Water System  
LAFCO Quarterly Report  
June 20, 2019 to September 19, 2019**

On March 19, 2019, LAFCO adopted a resolution dissolving Sativa and putting the County in place as the successor agency. This report summarizes notable actions taken by the County during the second quarter of its temporary management of Sativa.

**PROVISIONS OF RETAIL WATER SERVICE**

The County continues to provide water service to Sativa's 7,000 customers and to oversee day-to-day management of the water system.

Water Quality Testing

State-mandated water quality testing of Sativa's water continued during this reporting period. Certified tests continued to show that Sativa's water meets all Primary Drinking Water Standards and is safe to drink.

Financial Audit

The County completed a financial audit of Sativa covering the period of July 1, 2017, through June 30, 2018. This period was prior to the County's appointment as Interim Administrator by the State of California. An independent auditor found that Sativa had limited supporting documents (i.e. purchase orders, invoices, receipts, etc.) and lacked internal financial controls (i.e. procedures for handling cash, approval of checks, etc.) Because of this, the auditor issued a disclaimer audit opinion and noted the following:

- Expenditures exceeded revenues by approximately \$700,000
- \$1.6 million loan to finance the acquisition and construction of a well instead appeared to have been used for other purposes
- As much as \$385,000 in cash disbursement transactions could not be substantiated by supporting documents
- An additional \$92,000 in debit card charges could not be substantiated by supporting documents
- An additional \$84,000 in cash disbursement transactions appear to be "nonlegitimate" and "could possibly involve improper and/or unlawful actions"

Consistent with County policy and procedures, the audit was forwarded to the County's attorneys who are in the process of referring it to law enforcement.

A copy of the audit has been posted on Sativa's website and is available to the public.

Staffing

As of the end of this reporting period, two of the original six Sativa employees remain employed by the County.

## Lawsuits

Prior to the County becoming the Sativa Interim Administrator, a few Sativa customers filed a class action lawsuit in Superior Court, *Martha Barajas, et al. v. Sativa LA County Water District, et al.*, regarding the water quality and other claims. On April 29, 2019, after the County became the successor agency, the County was named a defendant in the class action lawsuit. The Special District Risk Management Authority ("SDRMA"), a risk pool joint powers agency, has accepted the County's tender for a defense and indemnification under a reservation of rights. SDRMA is also defending and indemnifying Sativa in this lawsuit. No trial date has been set. The plaintiffs have filed a motion for class certification that has not yet been set for a hearing date. Regarding the merits of this lawsuit, we believe that the County has a strong defense because Health and Safety Code section 116687 provides immunity from liability for water quality issues to the interim administrator and successor agency.

## **CAPITAL IMPROVEMENTS**

Significant improvements to Sativa's water quality and system resilience were achieved during this rating period.

### Interconnection with Liberty Utilities

Construction of the interconnection with Liberty Utilities was completed on July 29, 2019. The interconnection was turned on and Sativa began receiving water on July 30, 2019. The interconnection provides Sativa with a continuous, uninterrupted supply of water that exceeds the maximum demand from Sativa. Per the terms of the agreement negotiated between the County and Liberty Utilities, Liberty Utilities provides water to Sativa "at cost;" there is no additional mark up for profit.

### Eliminating the Suspected Source of Sativa's Brown Water

Sativa's Well 5 is the suspected source of the particulate causing intermittent spikes of brown water. Because of poor system resilience including a lack of storage tanks and other factors, the County was not able to take Well 5 offline to begin repairs until an alternate source of water supply could be established.

On July 30, 2019, the same day the interconnection with Liberty Utilities was turned on, the County took Well 5 offline. From that point forward, no additional particulate was introduced to the distribution system. Well 5 will not be returned to service until it has been fully rehabilitated.

## System Flushing

Once Well 5 and the source of the particulate were taken offline, the County immediately began a flushing program designed to remove the particulate already coating Sativa pipes. Flushing of Sativa's distribution system began on July 30, 2019, the same day the interconnection was turned on and Well 5 was taken offline. Flushing continued until its completion on August 10, 2019.

In order to minimize impacts to customers and protect against a possible systemwide brown water spike, the County took a number of preventative actions:

**Advanced Technology** – Sativa's distribution system has a number of operational challenges which make traditional flushing techniques less effective. In order to overcome these challenges, the County brought in a vendor that uses advanced technology and a patented process to carry out the flushing program.

**Customer Notifications and Outreach** – The County carried out an aggressive customer notification and awareness campaign in both English and Spanish. Bilingual information flyers were included with monthly water bills, individually mailed to customers, and provided to each customer that paid in-person at the Sativa office. Bilingual robocalls (recorded messages) were delivered to customers at the start of construction and prior to each time work was done in their area. Multiple community meetings, small group meetings, and one-on-one meetings were conducted. Print, television, and radio media ran stories. Sativa's telephone greeting was updated to include a flushing announcement and progress updates. Sativa's webpage was redesigned to prominently display information on the flushing program. A 4-foot by 12-foot banner announcing flushing activities was hung outside Sativa's office building. And finally, the County partnered with the Compton Cowboys, a local community-based organization, to have volunteers ride horses through Sativa and distribute information flyers to customers.

**Overnight Work** – Flushing work was carried out weekdays between 10 p.m. and 5 a.m., the period when customers are least likely to use water.

**Emergency Response Plan/Predeployment of Resources** – The County developed a comprehensive emergency response plan for the deployment of bottled water should a systemwide brown water event occur. Emergency services were notified, roles and responsibilities were established, staff were identified and on-call to report in the event of an emergency, and resources were predeployed.

**Bottled Water Distribution** – Customers experiencing water service interruptions or brown water spikes were provided with bottled water. Bottled water was provided to any customer that reported a problem regardless of whether Sativa technicians observed brown water at their home.

### Current System Water Quality

Following the completion of the flushing program on August 10, 2019, water quality in Sativa's distribution system improved significantly. County staff have observed crystal clear water throughout the system and brown water complaints have dropped to zero. Sativa customers also report clear, clean water flowing from their taps.

The County will monitor Sativa's water quality for the next 30 – 60 days in order to identify any remaining brown water hotspots. In late October 2019, the flushing vendor will be brought back to complete a second round of flushing. This second pass will remove any lingering particulate. This work is not expected to generate brown water spikes or impact customers.

### Upcoming Work

Simultaneous to the construction of the interconnection with Liberty Utilities and execution of the flushing program, the County has been designing a pipeline replacement project and a project to rehabilitate Sativa's two well. Work currently under design includes:

- Pipeline Repair: \$600,000 – Replace a damaged, critical segment of Sativa pipeline under the Blue Line railroad tracks.
- Well Rehabilitation: \$350,000 – Disassemble, clean, and repair the major components of Sativa's two wells.
- Electrical/Mechanical Replacements at Well Sites: \$175,000 – Completely replace all electrical systems and mechanical equipment used to pump water from Sativa's two wells.
- Chlorination System Conversion: \$60,000 – Replace or rebuild Sativa's chlorination system to be safer and more secure.
- Supervisory Control and Data Acquisition (SCADA) System: \$120,000 – Install technology at Sativa's wells to allow remote monitoring and remote control of operations.

Rehabilitation of the “below ground” elements of Well 5 began in early September 2019. The other work described above will begin in early 2020 and be completed as follows:

- Pipeline under railroad tracks: Complete by spring 2020
- Clean and repair well shaft: Complete by spring 2020
- Replace equipment at wells: Complete by winter 2020
- Convert gas chlorine system: Complete by winter 2020
- Remote monitoring and operation: Complete by winter 2020

## **GRANTS**

The County has aggressively pursued grant funding from the State Water Board for Sativa's most critical infrastructure challenges. After a series of negotiations, the State Water Board recommended the County receive \$1.77 million in grant funds to address these issues. This grant is expected to cover 100 percent of the work outlined in the previous section.

### State Department of Water Resources – Manganese Removal Grant

In addition to grant funding from the State Water Board, the County has partnered with Water Replenishment District of Southern California to aggressively pursue grant funds for a manganese treatment system. The County has applied for \$2.25 million in Proposition 1 funding through the State Department of Water Resources' Integrated Regional Water Management (IRWM) Program. The grant proposal has been well received by the State. A final determination on project funding will not be made until early 2020.

If grant funding is provided for the manganese treatment project, work is projected to be completed by the end of 2020.

## **COMMUNITY ENGAGEMENT**

Building trust with Sativa's customers is one of the County's highest priorities. In addition to improving customer service, the County is working on building trust through sharing information with customers and improving transparency of decision-making processes.

### Community Meetings

During this reporting period the County met multiple times in small group settings with Community leaders. Additionally, a large-scale community meeting and open house event was held on September 14, 2019. In order to improve attendance, the meeting was held on a Saturday. Bilingual invitation flyers were sent with customer bills and were provided to each customer that paid in-person at the Sativa office. Bilingual robocalls reminding customers of the community meeting also went out the evening before the meeting. As always, Spanish translation of speakers and presentation materials was provided.

During the community meeting, updates were provided on the County's activities at Sativa and feedback was solicited on desired qualities for Sativa's permanent service provider. Attendees were especially pleased with the significant improvement in water quality and that the County was referring the audit to law enforcement.

Regarding desired qualities of Sativa's permanent service provider, the community expressed strong concern that their water rates will be raised and that the permanent service provider would break promises made in the RFP once the County turns over ownership. Meeting attendees requested a role in the process to select their permanent service provider.

## **BOARD OF SUPERVISORS ACTIONS**

No actions were agendized for Board of Supervisors consideration during the reporting period.

## **IDENTIFICATION OF A PERMANENT WATER SERVICE PROVIDER (RFP PROCESS)**

A Request for Proposals (RFP) for the transfer or sale of the Sativa Water System was published on September 11, 2019. A mandatory prebid meeting is scheduled for September 23, 2019, and proposals are due to the County by October 10, 2019. To date, five Investor Owned Utilities have indicated they plan to attend the mandatory prebid meeting. No public agencies have registered for the meeting.

The schedule for the RFP process is as follows:

- RFP Published: September 11, 2019
- Proposal Due: October 10, 2019
- Interviews (if conduct): October 2019
- Final Selection: November 2019
- Negotiations: December 2020
- Finalize Recommendation: January 2020
- Board of Supervisors Approval: Jan/Feb 2020
- Transfer to permanent water service provider: spring 2020 to mid-2021.

The County, with consideration of suggestions made by Sativa customers, has developed scoring criteria to evaluate proposals. A RFP evaluation committee, which will include a member from LAFCO, will use the scoring criteria to evaluate proposals and make a recommendation to the Board of Supervisors. A final decision on Sativa's permanent service provider by the Board of Supervisors is expected in late winter 2020.

The RFP has been posted on the County's contract solicitation webpage and on Sativa's webpage. E-mail notifications of the solicitation were also sent to an extensive list of Investor Owned Utilities, public agencies, professional associations, and others.

**CALIFORNIA PUBLIC UTILITIES COMMISSION APPROVAL OF A PERMANENT WATER SERVICE PROVIDER (IF APPLICABLE)**

If an investor owned utility is selected as Sativa's permanent service provider, that entity will be required to submit an application to the California Public Utilities Commission (CPUC) requesting approval to take over operation of Sativa. The CPUC approval process could last up to 18 months. The identification of a permanent service provider has not been completed; therefore, CPUC has no role in Sativa at this time