



Memo

To: Board of Directors **Confidential**
From: Karl B. Drew
Date: April 15, 2016
Subject: Annual Review of General Manager - Review of Goals and Objectives

Following is the Annual Self-Review of the General Manager, in which I review my Goals and Objectives for the past year. For the past several years, the Board has used this report as a tool for its review of the General Manager.

The past year has been a different and difficult year for me personally with various physical challenges. Last year, my annual review was in May 2015. It was delayed due to the fact that I suffered a major retinal detachment in my right eye in the latter part of March 2015 and had surgery on April 1 to reattach the retina. During the ensuing months, this challenge was followed by a bout of vertigo, cataract surgery in the right eye, removal of a basal cell carcinoma and finally in March 2016, a procedure to repair several small tears in the retina of my left eye. Needless to say, during this time, it has been difficult at times to remain focused on District issues. Thankfully, the District has a great group of supervisors and employees who know their jobs and are able to operate with minimal supervision from me.

District Goals/Objectives:

- Maintain Financial Condition of District –It is our goal to maintain the District's financial condition. The District is now debt free and continues to maintain a solid financial position.
 - Drought Emergency: With the current drought emergency restrictions that have been enacted and extended by the State Water Boards, our water revenues and expenses will again be impacted in the coming year. We are keeping an eye on the situation so that we can respond as necessary to the changing situation. CLAWA has not indicated that there will be any restrictions on the supplemental water supply this year and their allocation from DWR has been **increased to 45%** for 2016. The District's Water Conservation Program is in place and ready to be used if additional restrictions are needed to be implemented if necessary.
 - Retirement Plan: CalPERS has been doing some restructuring of their investment policies with will cause higher employer rates spread over the next few years. There are also some additional GASB rules that will affect how long-

term retirement obligations will be reported on the annual audit reports.

- Water Rates: Our last water rate increase was in July 2004. Effective July 2013, the monthly water rates for the Lake Gregory area were decreased to match the rates in the Crestline area. The water rates for the whole District are now the same.
 - With water restrictions in place, revenues have been below what were budgeted. Tax revenues have increased slightly. We have continued to manage our expenditures and capital improvements to maintain a positive cash position.
 - We are currently at a breakeven point with the District's cash flow from Operating and Non-Operating Net Income. Our 2016-17 budget projects we will bring in about \$30,000 in excess of our expenses. We are in the beginning stages of initiating an increase to our water rates.
- Personnel:
 - Field Staffing
 - With the current field staffing, we have a good group of employees who are working very well together.
 - A long time employee recently left the District to work for another agency. We are in the process of hiring a full-time employee to fill the vacancy. Another existing employee is assuming the former employee's responsibilities and several other employees will also be cross-trained on those responsibilities. We will also be hiring two temporary seasonal employees for the summer months.
 - Office Staffing
 - We have maintained the current office staffing for many years. There is the Office Manager, two full-time Customer Service Representatives (CSR) and a part-time employee. This was the same number of office staff that was working here when I began working for the District in 1987.
 - Manager-in-Training: During the past year, we began defining a position for a potential replacement for the General Manager's position in the future. This will be finalized in the next few months. I would like to see this position finalized and filled within the next six months.
 - In the next 3+ years, there is the probability that the District will lose several long-term employees. The average years of service for the 10 regular full-time employees is over 16 years. Besides myself (29 years of service), Chris Heryford (32 years) is beginning to look at retirement and Larrie Davis (18 years) is reaching the age where she will be considering

retirement in the near future. Since we do not have much turn over, the remaining office staff and field employees have a solid working knowledge of the office operations and water system.

- Planning, Scheduling and Completing Capital Improvement/Replacement Projects – Maintaining and improving the water infrastructure of the District is a priority. While the District's system is in excellent shape, we still have improvements that need to be planned and completed.
 - Current Capital Projects – Projects and capital expenditures that are budgeted for in the current budget: While we have delayed some of these projects, there are some that have a high priority and are being pursued.
 - We have finished the construction of the .2 MG Zurich III Tank. Currently the .2 MG Zurich II Tank is offline as warranty repairs are being made. This tank should be back on line by the latter part of May, 2016, depending on weather conditions. District employees are constructing the retaining walls at the site and once the walls are completed, the site will be paved and fenced. The completion of the work at this tank site will complete the tank retrofitting/replacement program that began in 1997.
 - Well Development: We are currently in the progress of moving forward with the Valle Vertical and Electra Vertical wells. Site and well specifications are being prepared for these wells.
 - Lakeview Back Lot Line Main Replacement: There is approximately 2,500' of main to be replaced or installed for this project. This is the last significant section of main that needs to be replaced and still remains on the list of work to be done. We had planned on beginning construction in May, but it will probably be June/July before actual construction begins.
 - Mid-range (1 to 6 years) Projects – These projects are reviewed annually and are listed on page 4 of the annual audit report. These are items that have been identified to be completed in the next 5 - 6 years. The list contains items that are included in this year's budget. Depending on changing conditions and the economy some of these items may be delayed.
 - Long-Range Projects – We are in the ongoing process of identifying the future needs of the District. Most of these needs are governed by changing regulations and water supply challenges.
 - Some of our older mains are approaching 30 to 40 years of service. In approximately 20 to 25 years, the District should begin reevaluating the conditions of its water mains and developing a long-term replacement schedule based on the condition of the mains at that time. The expected life of the existing new mains is 100 years. The District should continue to build its reserves for the future upgrading and replacement of the water infrastructure.

- The District with its current boundaries and sphere of influence is not expected to have significant growth other than through annexations. With new service restrictions being implemented in surrounding areas due to the current drought situation, there has been a slight uptick in the number of new water services applications. Most of the areas that may annex into the District would contribute to the overall water supply and would be expected to pay for any improvements that are required to serve the annexed area.
- Regulatory Compliance – The goal is to keep the District in compliance with existing and new regulations. These regulations will be mainly related to water quality, but an area that may have a large impact in coming years is environmental regulations that affect equipment and power consumption.
 - The impact of future water quality regulations is unknown. Currently, there are no new regulations that require any changes to our treatment process. Based on anticipated future regulations, the District is in a good position to be able to comply with them.
 - As was discussed in previous years, there are regulations that affect our diesel equipment. Based on current regulations, there is a possibility we may need to update the smog equipment on some of the diesel equipment in the next few years.
 - There is the possibility that there are environmental regulations that will impact District power usage. The District does not operate large pumps so it is expected that there will be minimal impact to the District. We periodically have efficiency testing performed on our pumps and update our pump motors as necessary. We have also looked at alternative power sources such as solar and wind, but due to the terrain, lack of large open spaces and the cost of alternative power, it does not appear to be feasible at this time.
- Long-Term Water Supply – Between the local water supply and the potential of the supplemental water supply that is available to the District from CLAWA, it would appear that the District has an adequate water supply for coming year. However, there are several issues that threaten our long-term water supply.
 - Drought: The drought has continued and the State of California has mandated a 25% reduction in water consumption. The District received a mandate to reduce its water production by 8%. Due to our customers' response, we achieved a 23% reduction in water production. While the existing emergency regulations were extended to October 2016, it is expected that they will be reduced in the next couple of months. DWR has announced a 45% allocation of State Water Project deliveries for this year.
 - The State of California continues to face long-term water issues. The reoccurring droughts, infrastructure issues and the restrictions placed on the State's ability to pump water out of the Delta will continue to affect Southern California's water

supply over the coming years. The State Water Project has announced that 45% of the water allocation will be available this year. Rainfall this winter has been below normal. Recent rainfall has helped our well production, but it is not expected to make a major impact on this year's water supply.

- CLAWA has a single pipeline that brings water from Silverwood Lake to the mountain area. If something were to make this pipeline unusable, the District may have to depend on local water supplies for several months. There is also an increasing concern statewide regarding the reliability of the State Water Project's water delivery system. Historically, local wells meet between 40% and 60% of our system's normal demand. If there were to be a major interruption to CLAWA's or the State Water Project's delivery system, we would need to enforce strict water conservation measures for up to a year.

Personal Development

- Area Water District/Company Relationships – Over the past year, I have had occasion to talk with the General Managers of Lake Arrowhead Community Services District, Running Springs Water District and Crestline-Lake Arrowhead Water Agency.
- Staff Relationships – Employee relationships are a priority. The relationship and communication between the office and field staffs remains good. Communications between Larrie and Chris has continues to be good. We continue to encourage staff interaction by having staff lunches and barbeques.
- Educational Training
 - Certification –The State Department of Public Health requires the Chief Operator of the District to hold Water Distribution 2 (D2) and Water Treatment 1 (T1) certifications. The District requires this for all field employees.

I currently hold D2 and T1 Certifications which meet the State requirements.
 - Water Industry Knowledge – Increase general and technical knowledge about the water industry.

During the past year I have attended several water seminars and conferences, including the 2015 Fall ACWA conference in Indian Wells. The ACWA conferences are valuable and have helped me in having a better understanding of the regional and statewide water issues. I am planning on continuing attending at least one ACWA conference each year and other meetings and seminars that are of interest to the District.
- Community Involvement – I continue to be involved in the Crestline-Lake Gregory Rotary Club. Being in Rotary has been a positive experience for me as well as positioning the District in an organization where it has positive exposure as an active member of the community.

Personal Self-Evaluation of Past Year – The past year has been a mixed year with personal

health issues impacting my performance as General Manager.

- Capability/Knowledge of District – My 37 years of overall special district experience and 29 years of experience with the District, including 8 ½ years acting as General Manager, has given me knowledge of the District's overall operation that is extensive. This experience has been useful during the past year when decisions needed to be made and I understood the appropriate actions that were needed.
- Understanding how the “system” works, having a basic understanding of “County Water District Law” and the “Government Code”, why the District established certain policies and why things are done a certain way are invaluable in dealing with situations that arise. I have the ability to see the big picture, recognize issues or situations when they arise, understand how they affect the District and to produce appropriate solutions and/or responses.
- Productivity – Due to personal health issues during the past year there have been a couple of projects that have been delayed, namely the Lakeview Main Replacement and Manager in Training position. However, we completed the review of the Wage and Benefits review and update, as well as the construction of the Zurich III tank.