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To: Board of Directors \*\*Confidential\*\*  
From: Karl B. Drew  
Date: March 14, 2014  
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.

### **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 that has been declared by the State of California and with the possibility that CLAWA may impose restrictions on the amount of supplemental water available, our water revenues and expenses may be impacted in the coming year. I am keeping an eye on the situation so that we can respond as necessary to the changing situation. The District has a Water Conservation Ordinance in place, so if it needs to respond to a reduced water supply, the tools are in place.
  - 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. This is an item that had been pending for several years.
  - The total shortfall in Operating Revenues that we are seeing in this year’s financials is almost equal to the reduction in the Lake Gregory Monthly Charges for the 8 months of the year that the rates have been in effect, \$97,164.

- Other than the amount noted above, revenues have been consistent with this year's budget. Tax revenues are about even with last year's amounts. We have continued to manage our expenditures and capital improvements to maintain a positive cash position.
- During the 2010-11 budget planning process, we came up with a plan that would stabilize our cash requirements for a 5 year period. This involved the early retirement of our remaining long-term debt and a planned reduction in our work force. This plan also envisioned equalizing the monthly charges between the two divisions over a three year period. This plan seems to be on schedule, even though the monthly rates were equalized in one year instead of over three years.
- Personnel:
  - Field Staffing
    - With the current field staffing, we have a good group of employees who are working very well together.
    - Pete Ketterhagen, who was on extended Workers' Compensation Leave since May 2011, retired in May 2013.
  - 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.
    - One of our full-time CSR's, Destiney Mailhot, has been on Maternity/Family Leave for several months after the birth of her twins. Her leave is scheduled to end in early April, 2014. To temporarily fill her position, our part-time office person, Wendy Malsed, was temporarily made full-time and a new part-time employee was hired.
    - We received a notice on March 12, 2014, from Destiney, giving notice of her resignation effective April 2, 2014. We are in the process of evaluating the impact of her resignation, but do not anticipate any challenges as the temporary changes noted above have been working well.
    - The current office staff works well together. With Destiney on leave and the changes made in the temporary staffing, our expenses are running slightly higher than normal. With her resignation, expenses are expected to return to normal and should actually be slightly lower during the next fiscal year.

- General Manager: My current plan is to retire in 3, maybe 4 years.
- Manager-in-Training: While the District is not actively pursuing a candidate to fill the General Manager position in the future, I am constantly reviewing current employees and other people I come in contact with as potential future candidates for the position. I have compiled a short list of potential candidates for the Board's consideration at such time the Board decides to move forward.
- In the next 4+ years, there is the probability that the District will lose several long-term employees. The average years of service for the 12 regular full-time employees are 14.1 years. Besides myself (27 years of service), Chris Heryford (30 years in November 2014) is beginning to look at retirement and Larrie Davis (16 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 begun the process for the Zurich Tank site improvements. The original plan was for a second 171,250 gallon tank to be built at this site and then to refurbish or replace the original tank. The plan has been approved to construct two 200,000 gallon tanks at this site for a total storage capacity of 400,000 gallons at Zurich. The first of the two tanks will be constructed this summer and then the original tank will be demolished and replaced next summer. This is the last of the tank sites that currently need to be retrofitted.
    - Well Development: The District is currently in the process of doing the CEQA process on the potential well site on Valle Drive. The hydro-geologist is also in the process of identifying other potential well sites.

District staff is also in the process of reviewing some old well sites in the Lake Gregory area that have not been in use for many years. Chillon 64 is a horizontal well that has been classified as a "standby" well for many years. We have been taking samples at this well for years and do not recall having a bad sample. Electra 64 is a well that Lake Gregory Land and Water stopped using years ago, but never abandoned. We are investigating these wells further and are checking with the Department of Health Services to see if we can get them back into service with

chlorination. Based on the old records we have, these wells may produce about a combined 30 gpm or more.

- 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.

There has been a lot of talk with the Board over the past few years about getting this project completed. There are two main issues with this water main. 1.) This section is old and is subject to leaks. We regularly inspect the area and have had only a few small leaks on the main in recent years. 2.) Connecting the main on Crest Forest Drive to the main on Lakeview Drive will bring better pressure and fire flow to the dead end of Lakeview Drive. While this is important for any future home construction on this section of street, most fire protection will come from the hydrants on the streets coming into the area.

From my point of view, this project has not been a high priority as it affects a small area of the District, will have a high cost per linear foot due to the terrain and has not been a major problem over the past few years. It does need to be completed and we do not want to drop it from our planning process. That is why we have kept it on the budget each year.

We have developed a basic plan on how we want the main to run and we are in the process of obtaining the necessary easements for the main. Once this is completed we will be able to schedule the construction work for our crew.

- In the current fiscal year, we have purchased three new trucks, including the 2014 Explorer. We have sold six surplus vehicles and are trying to sell the two remaining surplus vehicles. We may have a buyer for the 1995 F250 utility truck.
- 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 rapid growth other than through annexations. 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 most years to come. However, there are several issues that threaten our long-term water supply.
  - Drought: 2013 was the driest year in the recorded history of the state. The State of California has announced a 0% allocation for this year and it is unlikely to change unless there is a series of serious storms in the next two months. While CLAWA does have carryover water from the prior year, it appears they will most likely limit the amount of purchases for the remainder of this year.
  - The State of California continues to face serious 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 0% of the water allocation will be available this summer and we have heard of

possible reductions in water deliveries from CLAWA. Rainfall this winter has been about half of normal and our local well production is declining.

- 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**

- General Manager – This past year, we have progressed on the project to add additional storage at the Zurich Tank site and are moving forward on the project to drill a new well on Valle Drive. We adopted a revised Personnel Manual and updated the Administrative Code. The remaining section of pipeline replacement at Lakeview Drive still remains uncompleted.
- 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. Attending the IRWMP meetings hosted by Mojave Water Agency has been an opportunity to begin to establish relationships with some of these managers.
- Staff Relationships – Employee relationships are a priority. The relationship and communication between the office and field staffs remains good. There was a communication issue earlier in the year that was causing stress between Larrie and Chris. This was resolved and they are working better with each other. We are continuing to encourage staff interaction by having staff lunches and barbeques. The process of updating the Personnel Manual created opportunities to discuss employment issues with all the employees.
- 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 2013 Fall ACWA conference in Los Angeles. 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 finished my term as President of the Crestline-Lake Gregory Rotary Club in June 2013. As President, I more actively involved in community events and have been in more contact with many business and community leaders from our area and the county. I have continued to be more involved this year and have been the lead person on several Rotary Projects/Activities. 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 positive year with personal growth and better time management. **Overall Grade A-/B+**

- Capability/Knowledge of District – My 35 years of overall special district experience and 27 years of experience with the District, including 6 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 the District's policies and ordinances are important as we enter a year where we are facing stricter water conservation. I was part of developing the District's Water Conservation Program in 1991.

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. **Grade A**

- Productivity – I have made better use of my time during the past year. While there is still room for improvement, I have been better at pushing to get work done in a timely manner. I recognize this as a weakness and will continue to strive to make improvements in this area. **Grade B**