


DATE: February 3, 2011

TO: Board of Directors

FROM:  Robert Reid, District General Manager

SUBJECT: DEVELOPMENT OF GOALS & OBJECTIVES FOR 2011

Background

The district has engaged in setting specific performance objectives early each calendar year since 1998. These are presented to the Board for review and discussion at the first meeting in February. Board members are also encouraged to bring forward any other issues that are relevant to the district's mission and its long-range strategy of continuous improvement. The district also has several *standing* goals that were adopted as part of our comprehensive Sewer System Management Plan (SSMP). These standing goals are intended as benchmarks by which we can measure our ongoing level of service in each of the district's core focus areas (*customer service and outreach, business management, and sewer system management*). This section of the SSMP is attached for reference.

Discussion

For 2011 the district's goals and objectives have been classified into two groups: continuing objectives and manager's key objectives. Most of the district's continuing objectives are items that are integral to our mission and are important year in and year out such as staff recruitment and training, budget development and analysis, sewer television inspection, cleaning and repair, and capital improvement projects. Other continuing objectives are specific tasks that require more than one year to complete such as making the transition to new enterprise software systems, or completing wet weather hydraulic analysis of the sewer network.

The manager's key objectives are specifically those issues of concern that could have an impact on long range organizational sustainability. These are also areas in which the manager will personally focus time and effort during the coming months. Each of these key objectives will be outlined in some detail in this report. Continuing objectives will be listed by focus area as a series of bullet points. Further explanation or concerns regarding any of the district's objectives should be brought forward at the February 9th meeting.

Proposed 2011 Manager's Key Objectives

Recruit Director of Administrative and Information Services. This is one of two key positions that report directly to the District Manager. The director is responsible for overseeing all general business activities of the district including tax roll administration and revenue collection, permit administration, general customer services support, human resources administration, payroll and benefits administration, oversight and coordination for contract accounting and IT services, audit support, and board agenda preparation and

support. The recruitment process is starting this month and it is anticipated that the new director will be on the job not later than the beginning of July.

Ensure Sustainable Commercial/Industrial Revenue Program. The district currently has over 44,000 permitted sewer connections in our service area of which more than 42,000 are residential connections billed on fixed rates for annual sewer service. However the 2100-plus commercial, institutional and industrial premises served by the district represent more than 25 percent of the total sewage flow that is piped to the wastewater treatment plant each year. These businesses are charged based on their annual water consumption and type of use category. The district, along with other local agencies, including the City of San Jose, depends on customer specific water usage information provided by the local water retailer (San Jose Water Company) to develop our annual sewer billing. Recently the water company informed us, and others, that it could no longer provide such information due to new rules and regulations promulgated by the California Public Utilities Commission. It is anticipated that this situation can be resolved on a regional basis in a way that allows us to continue to use specific water consumption data for sewer billing purposes. However staff is preparing to develop a backup plan if necessary to ensure our revenue base for the coming fiscal year is not impacted by this problem.

Analyze District Long Term Capital Spending Requirements. After more than 3 years of effort and input from multiple stakeholders, the master plan for the regional wastewater treatment plant (WWTP) and adjoining lands is expected to be adopted later this spring. Over two billion dollars in capital expenditures is estimated to rebuild and improve plant treatment systems over the next 30 years. The District Manager has been directly involved in the WWTP master plan process from its inception four years ago. This year is the culmination of that effort and will be a critical time in terms of setting capital spending priorities, and identifying funding options for meeting those capital requirements. My chief concern is to minimize impacts of the district's share of WWTP projects on future sewer rates while at the same time ensuring the district's capital reserves are not depleted beyond fiscally prudent levels.

Coordinate with West Valley Cities on Future Storm Water Program. The district has administered a storm water program on behalf of the cities of Campbell, Monte Sereno and Saratoga and the Town of Los Gatos since 1994. In addition the district has separate agreements with Campbell, Los Gatos and Monte Sereno to collect a "storm sewer service charge" on the annual tax roll. This fee is used to reimburse the district for the three cities share of their shared storm water program costs, as well as reimbursing the cities for the internal costs attributable to storm water permit compliance. These agreements end in 2012, and the current storm sewer service charge no longer covers the full cost of NPDES permit compliance. Last year the district sponsored a consultant study of governance and funding options for the storm water program including two staff workshops for the municipalities. The consensus recommendation was the creation of a joint powers authority for the four municipalities to continue a mutually supported cost effective storm water program with a direct line of authority between the program director and the JPA. The continuation of the 'status quo' is not a viable option for

several reasons. Another potential option is an updated set of agreements involving the district that revises the working relationship to reflect current and preferred future practices. The District Manager expects to continue working with senior municipal staff to develop the best storm water program option before the end of this year.

Develop Management Transition Plan. The District Manager will work with the board to develop a plan to ensure a successful transition of management upon the manager's intended retirement next year.

Other Emerging Issues. The district operates under a multitude of both state and federal regulations. Currently the U.S. EPA is considering whether to modify the NPDES regulations as they apply to sanitary sewer collection systems and sewer overflows. At this time it is not clear whether the EPA will proceed with a rulemaking on these issues, and if so, what the schedule will be for developing and finalizing the regulations. The manager is a member of the CASA federal legislative committee and will continue to follow this issue. CASA's intent is to ensure that the successes of California's statewide collection system general order are recognized and any new federal program is consistent with, and not duplicative of, existing requirements.

2011 Continuing Objectives

Customer Service and Support

- Continue to expand sewer lateral identification, inspection and repair program
- Continue to inspect food service facilities for FOG compliance
- Continue to expand district's lateral inspection and maintenance program
- Continue to upgrade and add information to district website
- Analyze opportunities for future SSAP projects

Business Management

- Update GASB 45 actuarial study and implement changes
- Continue targeted staff training and development
- Review and update district policies and ordinances as necessary
- Review and update 10-year financial plan with anticipated revenue changes
- Review and update Business Risk mitigation measures as needed

Sewer System Management

- Continue to implement sewer connection verification program
- Target potential hydraulically deficient sewers for field verification
- Update and adopt revised Sewer System Management Plan
- Continue design and construction of priority capital improvement projects on time and within budget

Recommendation

After discussion, adopt proposed annual objectives for 2011.