

# Strategic Planning Work Session

February 21, 2018

# Agenda

- ▶ Branding
- ▶ Centennial
- ▶ Strategic Planning
  - Industry Trends
  - Benchmarking Status Report
  - Key Performance Indicators
  - Strategic Initiatives

# Industry Trends

# 5 Most Important Issues Facing the Water Industry

Aging water and wastewater infrastructure

Financing for capital improvements

Long-term water supply availability

Public understanding of the value of water systems and services

Public understanding of the value of water resources

American Water Works Association. (2017). *State of the Water Industry Report*  
Retrieved from: <http://bit.ly/2Em0edG>

# Industry Trends

## 5 Categories

- Customer Engagement
- Sustainable Water Supply
- Data-Driven Decision Making
- Performance Management
- Workforce

# Industry Trend 1: Customer Engagement

- Messaging the Value of Water
- Advanced Metering Infrastructure (AMI)
- Responsibility Beyond the Meter



# Customer Engagement (Contd.)

## Messaging the Value of Water

Increasing fixed charges continues to be critical for revenue stability

Securing the public's acknowledgement of the importance of rate/fee increases is one of the most significant challenges facing utilities

Bui, A. (2017). *Closing The Customer Gap: Messaging water's true cost to a skeptical public. Strategic Directions: Water Industry Report, Black & Veatch Insights Group, p. 8.*  
Retrieved from: <https://www.bv.com/docs/sdr/sdr-waterindustry.pdf>

# Customer Engagement (Contd.)

## Messaging the Value of Water

### Strategies

- ▶ Engage with customers online
- ▶ Coherent story
  - Delivering water through an aging infrastructure
- ▶ Every touchpoint is an opportunity to communicate the story

Bui, A. (2017). *Closing The Customer Gap: Messaging water's true cost to a skeptical public*. *Strategic Directions: Water Industry Report*, Black & Veatch Insights Group, p. 10.

Retrieved from: <https://www.bv.com/docs/sdr/sdr-water-industry.pdf>



# Customer Engagement (Contd.)

## Messaging the Value of Water

### Strategies

- ▶ Extensive public meetings
  - Hear concerns
  - Answer questions
- ▶ Messages using everyday language
- ▶ Show return on investment
- ▶ Staff and consultants presenting together

Bui, A. (2017). *Closing The Customer Gap: Messaging water's true cost to a skeptical public. Strategic Directions: Water Industry Report, Black & Veatch Insights Group, p. 12.*  
Retrieved from: <https://www.bv.com/docs/sdr/sdr-water-industry.pdf>

# Customer Engagement (Contd.)

## Messaging the Value of Water

**“It just takes one water main break to undo the conservation efforts of hundreds of homes. To message water’s true value, the industry must communicate the costs of failure.”** (Bui, 2017, p.11)

# Customer Engagement (Contd.)

## Advanced Metering Infrastructure

- ▶ Integrated path to service excellence
- ▶ Empower customers with smart data
- ▶ Goodwill, trust, and transparency

Eberts, R. (2017). *The customer-driven world-class utility. Strategic Directions: Water Industry Report, Black & Veatch Insights Group, p. 13.*  
Retrieved from: <https://www.bv.com/docs/sdr/sdr-water-industry.pdf>

# Customer Engagement (Contd.)

## Responsibility Beyond the Meter

- ▶ Eliminating lead in the distribution system is not enough
- ▶ Focus on water quality
- ▶ Allocating costs between homeowner and utility
  - How do we take care of homeowners who cannot afford service line remediation?

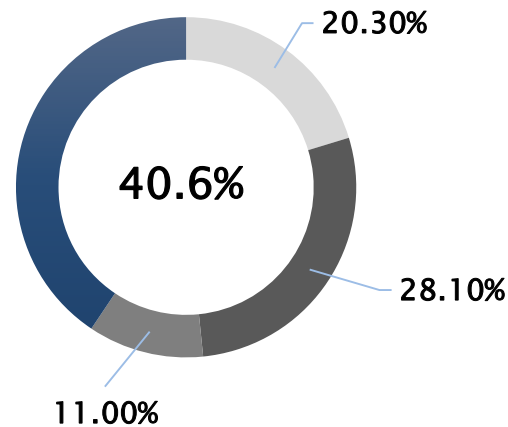
Hulsey, B., Neeman, J., & Robinson, C. (2017). *From Flint to California, headlines show water quality is top of mind. Strategic Directions: Water Industry Report, Black & Veatch Insights Group, p. 17.*

Retrieved from: <https://www.bv.com/docs/sdr/sdr-water-industry.pdf>

# Customer Engagement (Contd.)

## Responsibility Beyond the Meter

What kind of financing options are available for homeowners to pay for service line remediations?  
(Select one choice)



- We are in the process of developing a policy to allocate costs between the homeowner and utility and any financing involved.
  - The utility is offering a financing plan to assist the homeowner pay for service line replacement.
  - The financing for service line replacement is the homeowner's responsibility.
  - Other
- Source: Black & Veatch

Figure 1. Financing options available to homeowners to pay for service line remediation. Adapted from *Strategic Directions: Water Industry Report*, Black & Veatch Insights Group, by Husley, B., et al., 2017, Retrieved from: <https://www.bv.com/docs/sdr/sdr-water-industry.pdf>

# Industry Trend 2: Sustainable Water Supply

- ▶ Public–Private Partnerships (P3s)
- ▶ Resiliency
- ▶ Climate Change

# Sustainable Water Supply (Contd.)

## P3 Benefits

- ▶ Economic development and job creation
- ▶ Rate predictability and stability
- ▶ Predictability around asset maintenance
- ▶ Optimal risk allocation

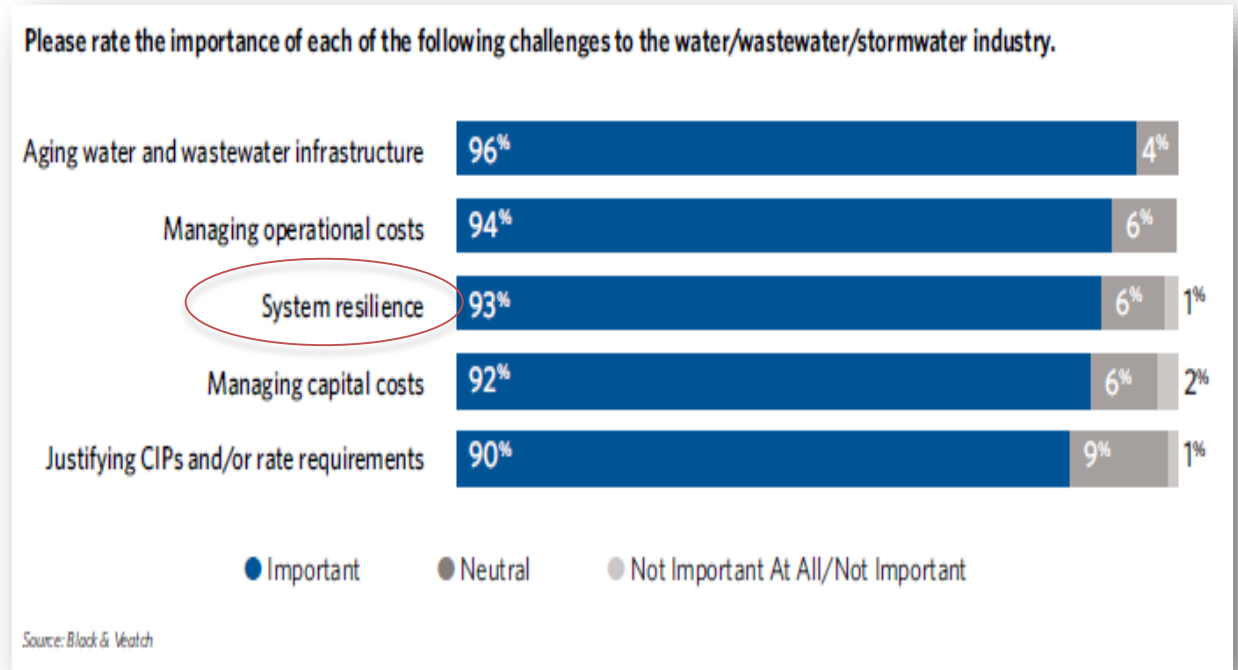
Allender, B., & McCann, F. (2017). *Beyond financing: key attributes of a public-private partnership. Strategic Directions: Water Industry Report, Black & Veatch Insights Group, p. 20.*

Retrieved from: <https://www.bv.com/docs/sdr/sdr-water-industry.pdf>

# Sustainable Water Supply (Contd.)

## Resiliency

- System resilience
- Climate change
- Protect assets from natural disasters



**Figure 2.** The importance of the challenges to the water industry. Adapted from, *Strategic Directions: Water Industry Report*, Black & Veatch Insights Group, by Allender, B., & McCann, F. 2017, Retrieved from: <https://www.bv.com/docs/sdr/sdr-water-industry.pdf>

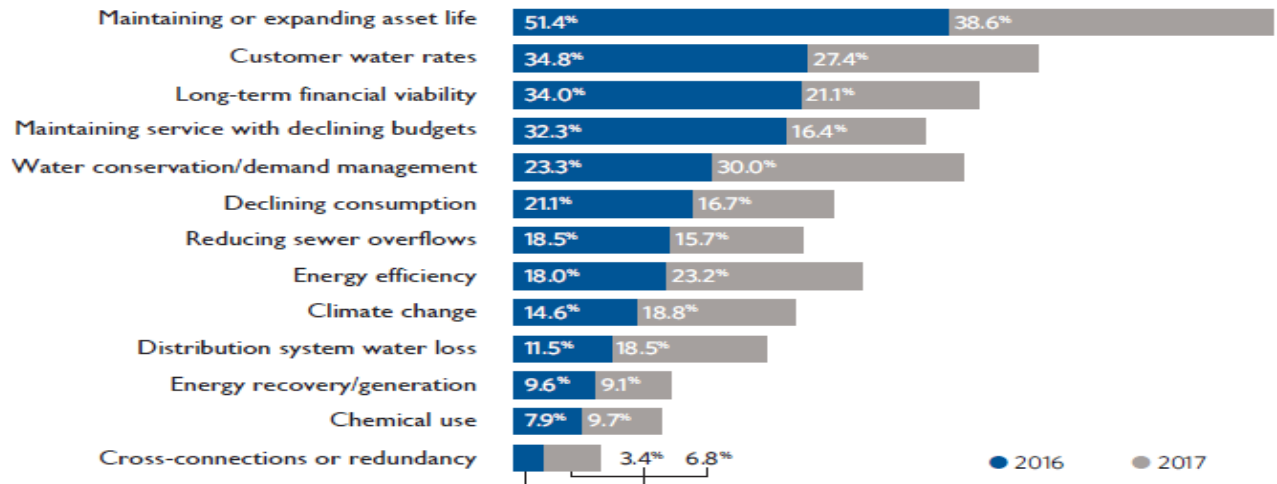


# Sustainable Water Supply (Contd.)

## A move away from growing supply

Upticks in how respondents viewed the role of water loss and conservation in achieving sustainability suggests the industry may be moving away from a traditional view of growing supply towards optimizing what we have.

Which items represent the most significant sustainability issues for water utilities? (Select top three choices)



Source: Black & Veatch

Figure 3. Collaboration, leadership will clear the path toward sustainability. Adapted from, *Strategic Directions: Water Industry Report*, Black & Veatch Insights Group, by Wallis-Lage, C. 2017, Retrieved from: <https://www.bv.com/docs/sdr/sdr-water-industry.pdf>

# Sustainable Water Supply (Contd.)

## Climate Change

- ▶ Utilities in the region are analyzing climate change impacts on existing resources
- ▶ Holistic approach to managing wet weather events, land use and the changing social/economic environments

Currie, J., Kumar, P., & Kwok, A. (2017). *Turning Asia's flood challenges into opportunities. Strategic Directions: Water Industry Report*, Black & Veatch Insights Group, p. 26.

Retrieved from: <https://www.bv.com/docs/sdr/sdr-water-industry.pdf>

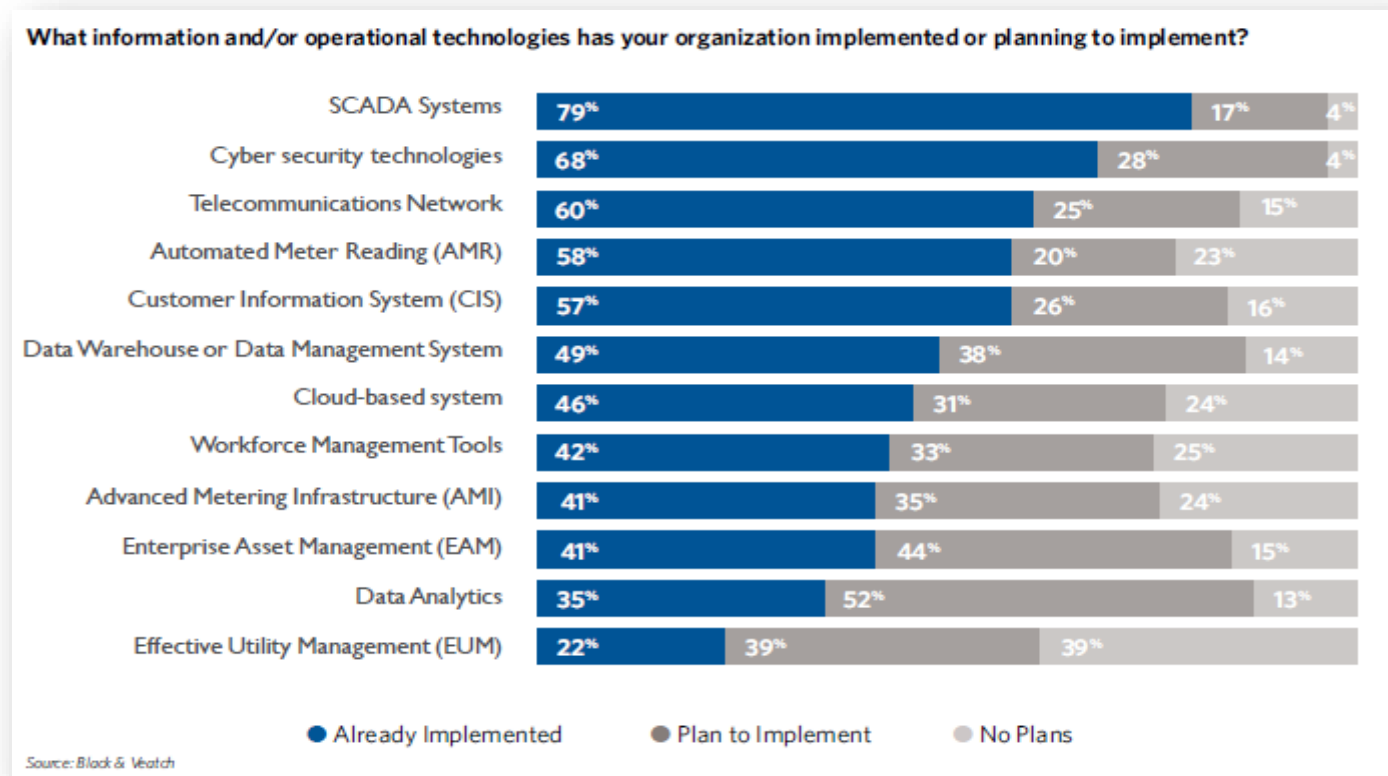
# Industry Trend 3: Data-Driven Decision Making

- ▶ Analytics
- ▶ Integrated Planning
- ▶ Advanced Metering Infrastructure for Operations

# Data-Driven Decision Making (Contd.)

## Data is Driving the Modern Utility

Increased focus on implementing more advanced operational technologies, such as AMI and enterprise asset management



**Figure 4.** Information and Operational Technologies used by Organizations. Adapted from, *Strategic Directions: Water Industry Report*, Black & Veatch Insights Group. By Buxton, J., & Chastain-Howley, A. 2017, Retrieved from: <https://www.bv.com/docs/sdr/sdr-water-industry.pdf>

# Data-Driven Decision Making (Contd.)

Capturing, processing and using data continues to pose challenges

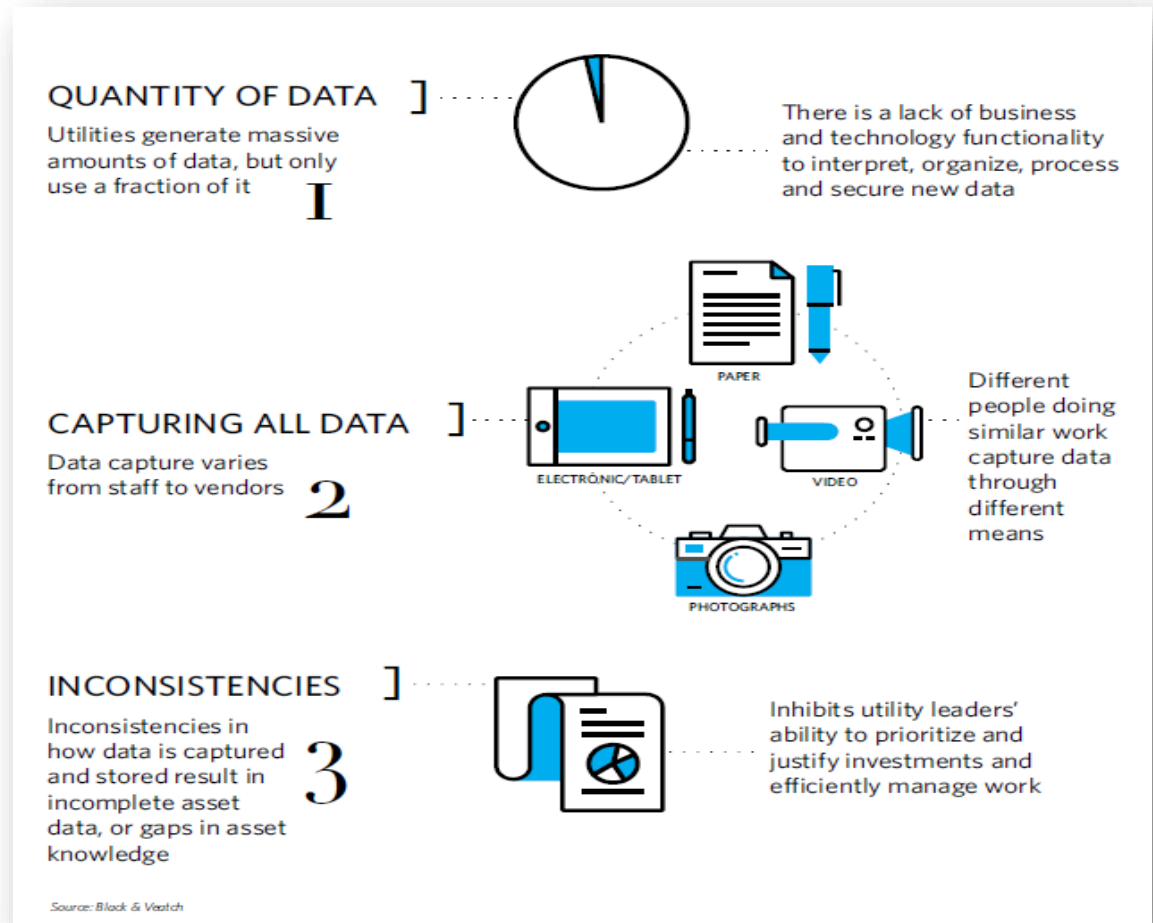


Figure 5. Challenges with capturing, processing and using data. Adapted from, *Strategic Directions: Water Industry Report*, Black & Veatch Insights Group, by Nightingale, J., & Price, D., 2017, Retrieved from: <https://www.bv.com/docs/sdr/sdr-water-industry.pdf>

# Data-Driven Decision Making (Contd.)

## Analytics

**39%**

Utilities said data figures into their processes, but not their operational activities

**20%**

Utilities said data analytics were not part of their current process but figured into their strategic planning

*Buxton, J., & Chastain-Howley, A. (2017). Data Driving the Modern Utility. Strategic Directions: Water Industry Report, Black & Veatch Insights Group, p. 39.*  
Retrieved from: <https://www.bv.com/docs/sdr/sdr-water-industry.pdf>

# Data-Driven Decision Making (Contd.)

## Integrated Planning

### Definition

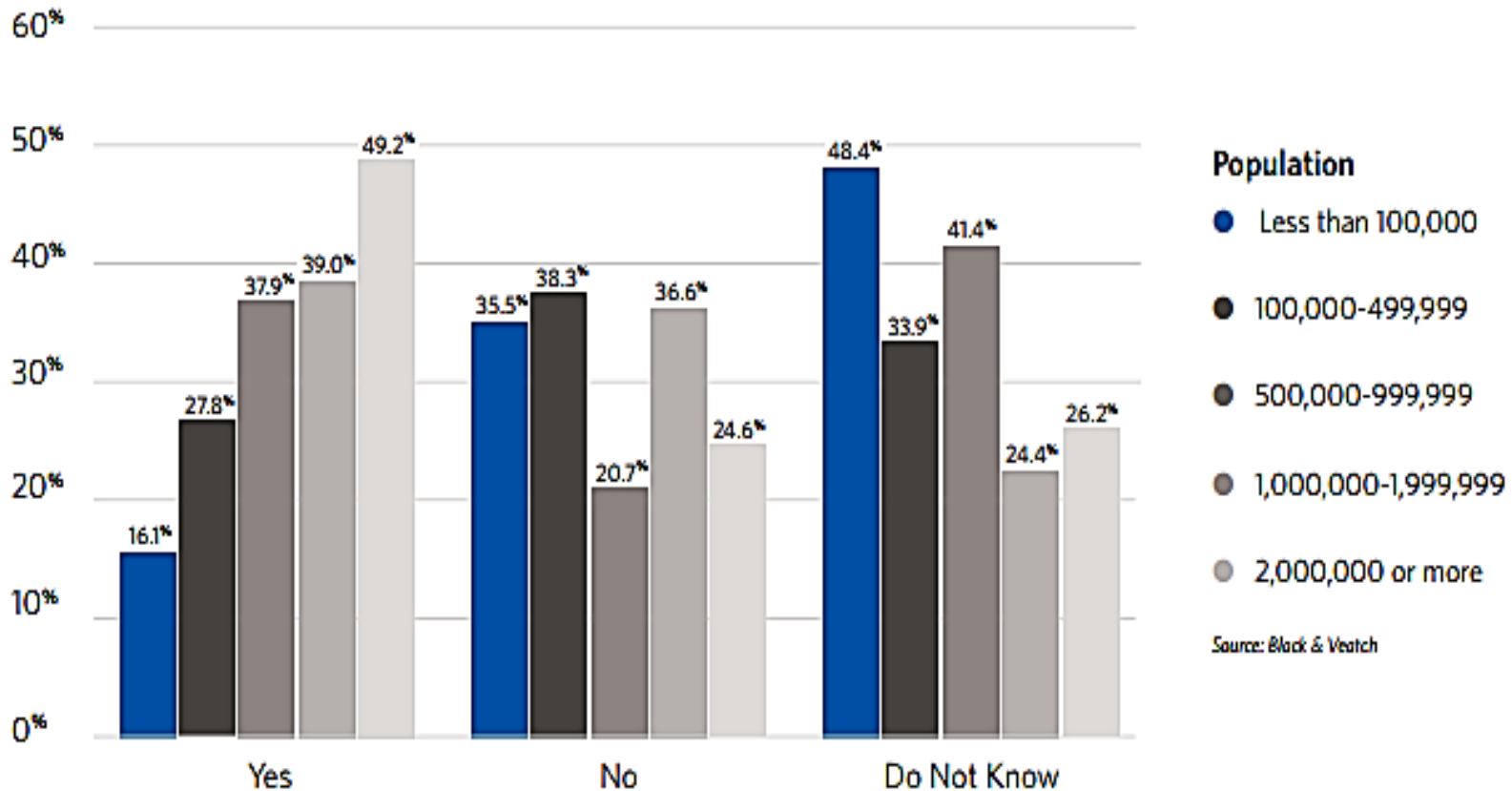
A comprehensive planning process that considers all aspects of the water management cycle

### Goal

To establish long-term sustainable solutions that improve water quality, ensure water resource protection, and support community needs and vitality

# Data-Driven Decision Making (Contd.)

## Integrated Planning



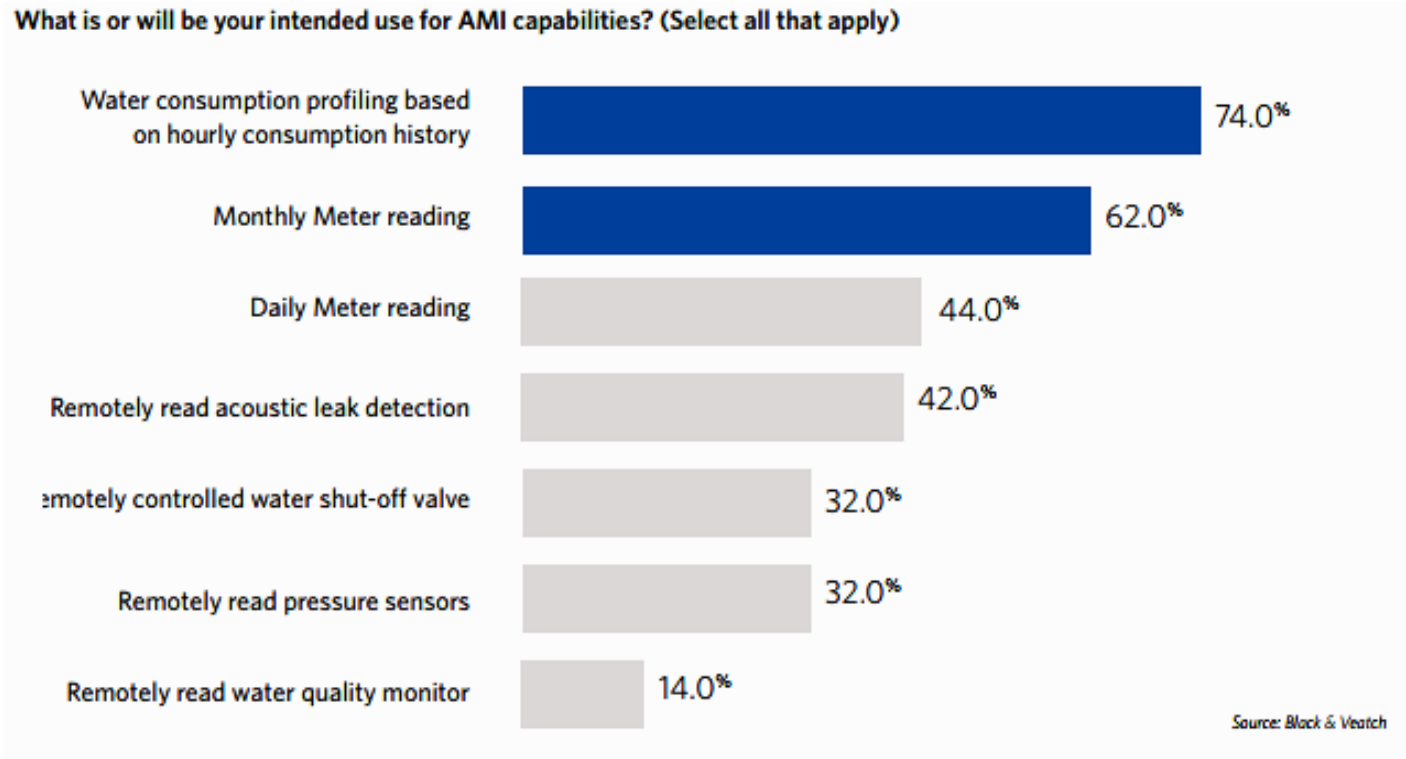
### Adoption Rates

**Figure 6.** Use of Integrated Planning Approach to Develop Holistic Storm water Capital Improvement Strategies to achieve Permit Compliance and Best Value Solutions. Adapted from *Strategic Directions: Water Industry Report*, Black & Veatch Insights Group, by Schlaman, J., 2017, Retrieved from: <https://www.bv.com/docs/sdr/sdr-water-industry.pdf>



# Data-Driven Decision Making (Contd.)

## AMI for Operations



**Figure 7.** Use for AMI Capabilities. Adapted from *Strategic Directions: Water Industry Report*, Black & Veatch Insights Group, by Buxton, J., & Chastain-Howley, A., 2017, Retrieved from: <https://www.bv.com/docs/sdr/sdr-water-industry.pdf>

# Industry Trend 4: Performance Management

“You can’t improve what you don’t measure”

Utilities are devoting resources to developing appropriate key performance measures (KPIs)

“Effective Utility Management” (promoted by EPA and many other organizations) has developed 10 attributes of effectively managed water utilities and recognize the need for performance measurement which supports these attributes



**Figure 8.** The Ten Attributes of Effectively Managed Utilities and Five Keys to Management Success. Adapted from *Effective Utility Management – A Primer for Water and Wastewater Utilities Report*, 2017, Retrieved from: <http://www.nacwa.org/docs/default-source/resources---public/eum-primer-final-1-24-17.pdf>

# Industry Trend 5: Workforce Age Distribution Comparison

Our workforce is aging creating the need for better succession planning and knowledge transfer

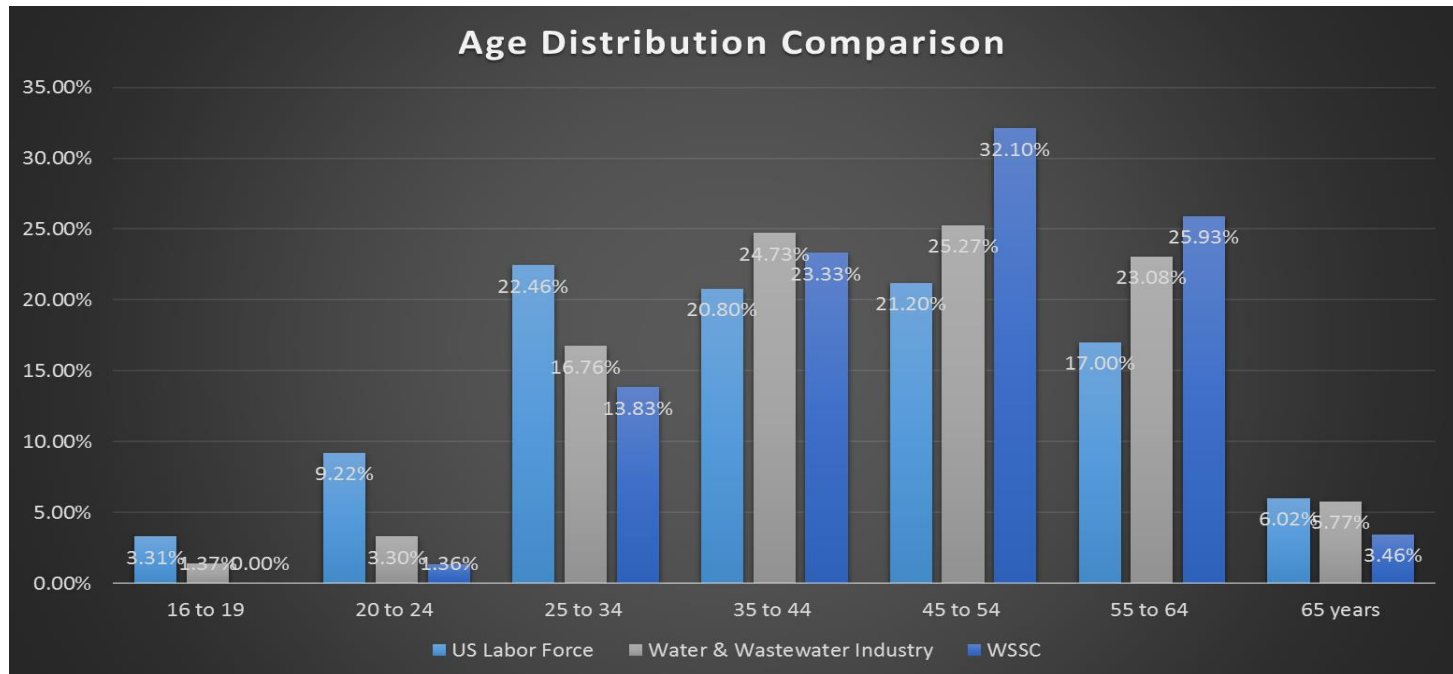


Figure 11.

# Summary & Conclusions

- ▶ Data
- ▶ Communication
- ▶ Collaboration



# Benchmarking

# Veolia Benchmarking Report

**Composite gap analysis summary identifies how significant differences in performance are**

| Business Area        | WSSC Current Performance Score | Near-Term Improvement Goal | Arithmetic Difference | Significant? |
|----------------------|--------------------------------|----------------------------|-----------------------|--------------|
| Customer Service     | 2.0                            | 4.0                        | 2.0                   | Yes          |
| Fleet                | 2.3                            | 4.0                        | 1.7                   | Potentially  |
| CIP-Asset Management | 2.0                            | 3.6                        | 1.6                   | Potentially  |
| Procurement          | 2.4                            | 4.0                        | 1.6                   | Potentially  |
| Utility Services     | 2.5                            | 4.1                        | 1.6                   | Potentially  |
| Wastewater Treatment | 3.2                            | 4.1                        | 0.9                   | No           |
| Water Treatment      | 4.0                            | 4.5                        | 0.5                   | No           |

**Recommended Areas of Initial Focus**

### Calculating the gap:

- The difference between actual performance and the near-term performance goal forms the basis of a gap analysis used to prioritize areas that have potential for additional improvement
- Any arithmetic difference of 2.0 or greater between actual performance and the near term performance goal was considered significant, and any difference in scores between 1.5 and 1.9 was considered potentially significant

WSSC / VEOLIA BENCHMARKING / JULY 21, 2016

**Figure 12.** Composite Gap Analysis Summary. Adapted from *Utility Benchmarking and Organizational Efficiency Review*. By Veolia Water North America Operating Services., 2016.

# Key Performance Indicators (KPIs)

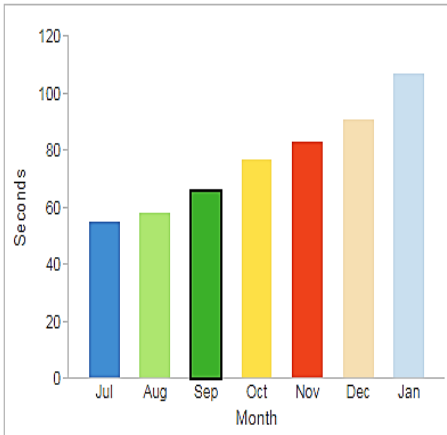
# KPI Dashboard

Deliver an Excellent Customer Experience and Enhance Community Relationships

Average Wait Time

**107**

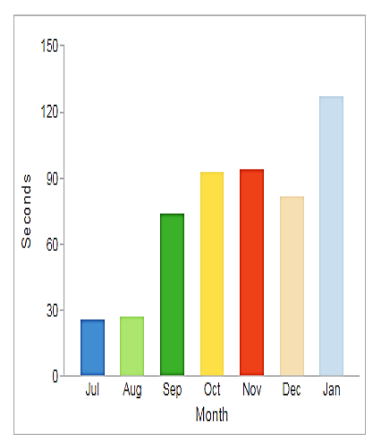
(Seconds)



Bill Pay Queue Average Wait Time

**127**

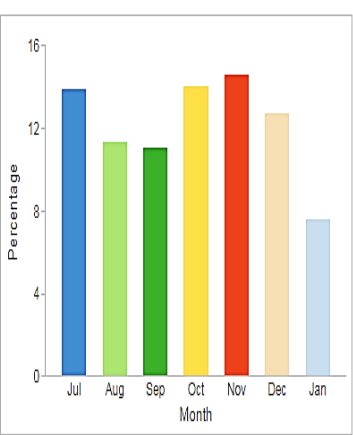
(Seconds)



Abandoned Call Rate

**7.6**

(Percentage)

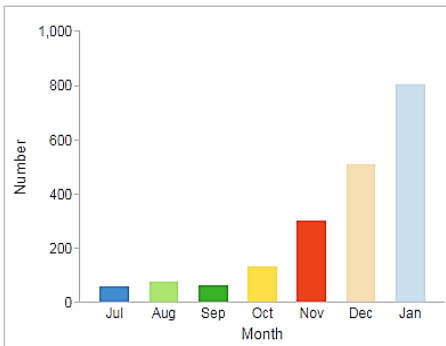


## Improve Infrastructure

Water Main Breaks and Leaks

**805**

(Number)

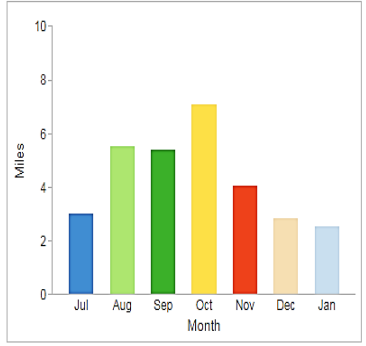


Water Main Replacement

**30.50**

(Miles)

Goal: 57

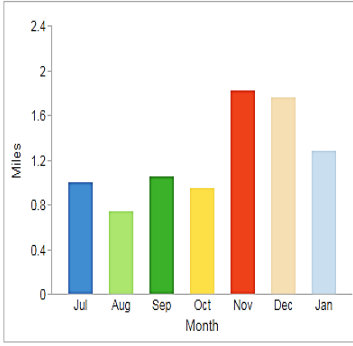


Sewer Line Reconstruct

**8.67**

(Miles)

Goal: 35





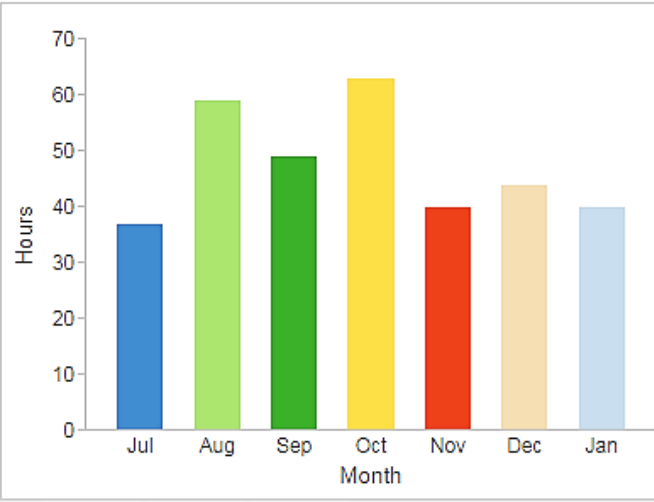
# KPI Dashboard (Continued)

Achieve Business Process Excellence and Option Financial Stability

Average  
Vehicle  
Down Time

40

(Hours)



# Strategic Initiatives

# Fiscal Year 2020 and Beyond

As the budget for FY 2019 is already set, the key opportunity for major changes is in the FY 2020 plan.

The goal for FY 2020 is to have alignment in **budget, strategic planning, and performance management.**

# FY19 & FY20 Strategic Planning Cycle

| #  | Activity & Milestones  | Month   | Date       | Responsibility                 |
|----|--|---------|------------|--------------------------------|
| 1  | Kickoff WSSC Strategic Planning process  | Jan     | 1/17/2018  | GMO                            |
| 2  | Commission work session to review industry trends, discuss benchmarking, and key performance indicators (KPIs) | Feb     | 2/21/2018  | Commissioners/GMO/SLT          |
| 3  | Commission meeting to review progress on the implementation of FY18 Strategic Priorities                       | Feb     | 2/21/2018  | GMO/Commissioners              |
| 4  | Commissioners conduct annual review of the Strategic Plan  | Apr     | 4/18/2018  | Commissioners                  |
| 5  | GM review of Capital Improvement Program   | Jun     | TBD        | GMO                            |
| 5  | Start Annual Budgeting for FY 20 and Departmental Business Planning  | Jun     | TBD        | Directors and Department Heads |
| 6  | Finalize Department Workplans & Prepare Decision Packages (additional funding & workyear requests)             | Jul     | TBD        | Directors and Department Heads |
| 7  | Present new and reinstated requests to DGMs and GM and Finance makes recommendations                           | Jul     | TBD        | Finance (Budget Division)      |
| 8  | Finance presents FY19–24 CIP and Debt Capacity to Commission   | Jul     | 7/18/2018  | Finance (Budget Division)      |
| 9  | Evaluate Year–End Performance for FY19 & Develop Employee Performance Goals for FY20                           | Jul/Aug | TBD        | Supervisors                    |
| 10 | GM/CEO Budget Meetings with DGMs and Directors   | Aug     | TBD        | Directors and Department Heads |
| 11 | Brief Commission on FY20 SAG & Operating Budget Issues and FY20–25 Fiscal Plan                                 | Aug     | 8/15/2018  | Finance (Budget Division)      |
| 12 | Finalize and communicate additional funding/ workyear requests decisions                                       | Sep     | TBD        | Finance (Budget Division)      |
| 13 | Review SAG scenarios with county staff   | Sep     | TBD        | Finance (Budget Division)      |
| 14 | FY20 Budget submissions due to budget Division   | Oct     | TBD        | Directors and Department Heads |
| 15 | GM review of Preliminary Proposed Budget   | Nov     | TBD        | SLT                            |
| 16 | Brief Commission on FY20 Preliminary Proposed Budget   | Nov     | 11/21/18   | Finance (Budget Division)      |
| 17 | Commissioners approve transmittal of Preliminary Proposed Budget to Counties for Public Hearing Purposes       | Dec     | 12/19/2018 | Commissioners                  |

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- American Water Works Association. (2017). *State of the Water Industry Report*. Retrieved from: <https://www.awwa.org/Portals/0/files/resources/water%20utility%20management/sotwi/AWWA2017SOTWI.pdf>
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