

AGENDA ITEM

- **PROGRESS REPORT ON OWASA'S STRATEGIC PLAN**

PURPOSE

- OWASA's Strategic Plan establishes the key goals and objectives for the next several years to guide the organization's work and funding priorities.

BACKGROUND

- On March 25, 2010, the Board approved the OWASA Strategic Plan.
- Progress reports were provided to the Board on October 21, 2010 and March 10, 2011.
- This report provides the organization's Strategic Plan progress-to-date and is provided for the Board's information and discussion.

ACTION REQUESTED

- Board discussion and guidance.

September 22, 2011



ORANGE WATER AND SEWER AUTHORITY

*A public, non-profit agency providing water, sewer and reclaimed water services
to the Carrboro-Chapel Hill community.*

MEMORANDUM

TO: Board of Directors
FROM: Ed Kerwin
DATE: September 16, 2011
SUBJECT: PROGRESS REPORT ON OWASA'S STRATEGIC PLAN

Purpose

OWASA's Strategic Plan establishes the key goals and objectives for the next several years to guide the organization's work and funding priorities. While there are many goals and objectives that must be met (and sustained) to ensure that OWASA successfully fulfills its mission, it is essential to establish the organization's highest priorities given that funding and staff resources are limited.

Background

The OWASA Board held a work session with staff on March 11, 2010 to discuss strategic planning. On March 25, 2010, the Board approved the OWASA Strategic Plan.

Progress reports were provided to the Board on October 21, 2010 and March 10, 2011. This report provides the organization's Strategic Plan progress-to-date and is provided for the Board's information and discussion.

Discussion

We have made important progress on our Strategic Plan's goals and objectives. We are especially proud of our work to achieve greater efficiencies and improve financial stability.

At this time, staff does not have changes to suggest for our goals and objectives.

We look forward to the Board's discussion and guidance.

Ed Kerwin
Executive Director

Attachment

c: Bob Epting
John Greene
Mason Crum
Stephen Winters
Stephanie Glasgow
Dan Przybyl

OWASA Strategic Plan Update

March 25, 2010 - August 31, 2011

Strategic Plan Objectives

A.1 Complete a comprehensive functional analysis to identify opportunities to reduce costs.

The following cost reduction and/or efficiency measures have been taken since March 25, 2010:

- Effective May 31, 2010, eliminated the vacant Human Resources Director position and reclassified the Safety and Training Administrator position to the new position of Human Resources and Safety Manager. Net annual savings is about \$80,000.
- Eliminated a vacant Administrative Assistant position in Fiscal Year (FY) 2012 with net annual saving of about \$45,000.
- Implemented process modifications suggested by the Hydraulic and Treatment Capacity Study for the Mason Farm Wastewater Treatment Plant which are expected to save about \$300,000 annually.
- Bond refunding in September 2010 will result in about \$2.3 million of savings over the life of the bonds.
- Effective January 27, 2011, reorganized the Finance and Customer Service Department to include the elimination of two vacant Manager positions. These actions have improved efficiency and results in an annual net savings of about \$80,000.
- Initiated the replacement of energy intensive outdoor lighting with low energy fixtures, some controlled with motion sensors.
- Reduced telecommunications costs by over \$10,000 per year by reviewing all telecommunications services, migrating services to lower cost vendors and eliminating obsolete or unnecessary services.

Future work:

- Evaluate opportunities to streamline and improve issuance of service orders, with special focus on processing of service availability fees (new connections) and cutoffs.
- Initiate a pilot project for Desktop Virtualization and Application Virtualization.
- Review the current Work Order business process and evaluate the use of *CityWorks* as a technology to provide mobile remote access for field crews to the Work Order system.
- Continued review to adequately define and optimize service levels in Distribution and Collections Department.
- Continued review of lighting improvements to reduce energy cost and review of HVAC controls to minimize heating and cooling needs.
- Evaluate alternative fuel vehicle purchases to reduce fuel cost and greenhouse gas emissions while maintain functionality of the equipment for the intended use.
- Review opportunities to further utilize digester gas (methane) produced at the Mason Farm Wastewater Treatment Plant.

Measure of success: Savings noted above.

Complete by: Ongoing

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A.2 Continue implementation of improvements to the financial management and billing system and related recommendations from the consultant's report with emphasis on improved accuracy and timeliness of key financial data.

Processes that have been improved/streamlined for the purpose of improving accuracy and/or efficiency and/or reducing costs are:

- New process for entering P-Card transactions has been implemented.
- Redundancies in entering customer credit card payments have been eliminated as a result of implementing Customer Web.
- New process for issuing invoices for miscellaneous billings and recording cash receipts has been implemented.
- Implemented a more efficient UNC invoicing process.
- Created numerous quality control reports to assist in processing and verification.
- All miscellaneous billings (for services other than monthly water and sewer) are being migrated into a normal monthly billing cycle. This provides for better tracking of accounts receivable, reduces data entry and improves accuracy.
- Created a process to capture more layers of water and sewer revenue in order to enhance quality control of revenue.
- Moved responsibility for all invoicing to Customer Service.
- Implemented new functionality that allows more options for Taste of Hope donations.

Future work:

- New purchasing module has been installed and implemented in the IT and Finance and Customer Service departments. Implementation throughout the rest of the organization was delayed due to system configuration issues. Organization-wide implementation will be complete before the end of December 2011. This will improve purchasing process and provide for better control and visibility in monitoring budget performance and improved internal control related to the purchasing function.
- Create and implement additional business intelligence reporting.
- Streamline financial reporting, month-end close process, budget development and the process for forecasting revenues and expenditures.
- Increase focus on budget execution.

Measure of success: While objective measures for the above improvements are not yet available, we are achieving important efficiencies.

Complete by: The process of identifying areas for improved efficiency and cost reduction is ongoing.

A.3 Adopt rate adjustments to ensure financial stability.

Complete for FY 2012. Process for monitoring revenue impact of rates is in place and ongoing. The Board adopted a 2% rate increase that will go into effect on October 1, 2011.

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Measure of success: All objectives (except affordability measurement) of the Financial Management Policy are being met.

Complete by: Ongoing

A.4 Develop and implement a plan to increase our customers' understanding of the value of water and the need for rate adjustments which reflect the "true cost" of OWASA's water, sewer and reclaimed water services.

The Community Outreach Committee has been renamed the "Outreach and Education Committee." The group has established a committee charge as well as goals and objectives. Our branding strategy is nearly complete and next steps include completing an engagement plan for accomplishing our goals and objectives.

Future work:

- The Committee plans to meet regularly throughout FY 2012 and will develop action plans and timelines.

Measure of success: To be determined by future research (customer surveys).

Complete by: Ongoing

B.1 Develop a Comprehensive Asset Management Plan

The following is a summary of the efforts toward the development of a comprehensive asset management plan:

- Data collection on above ground assets (treatment plants, pump stations, tanks, etc.) resides in the Computerized Maintenance Management System (CMMS) and includes features such as: equipment number, location, equipment type, manufacturer, acquisition date, useful life, replacement cost and service history. A similar database on the below ground assets (water & sewer mains) is maintained by the Engineering Department.
- Purchase date, mileage, condition and maintenance information has been collected on OWASA's rolling stock (vehicles, backhoes, etc.) with the goal of making this portion of the asset plan an early success.
- An upgrade to the CMMS software utilized by the OWASA Maintenance staff has been completed.
- Work to develop an asset management plan for a portion of OWASA's assets by a grad student from the UNC Operations Research Department was completed and presented to several OWASA staff members.
- A Request for Qualifications (RFQ) for consultant assistance was completed and CH2M Hill of Raleigh was selected to assist OWASA staff with the development of an asset management plan.
- The Asset Management Team, Department Managers and Directors participated in an introductory asset management workshop conducted by the consultant.

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- Individual staff interviews were conducted by the consultant to understand current OWASA's current practices and procedures related to asset management.
- Twenty-four OWASA staff members participate in a workshop to provide survey information that will be used by the consultant in developing a gap analysis.

Future work:

- Receive report on gap analysis which will include a summary of current OWASA practices and compare these practices to asset management best practices utilized by other utility organizations that have successful programs. Define additional needs (skill sets, resources, training, etc.) to close identified gaps.
- Continue collection of information related to condition, criticality or consequences of failure for identified assets. This information will be used along with other data (age, failures, remaining useful life, etc.) to determine risk score.
- Assemble, review and test assumptions in the asset management plan.
- Produce Draft Asset Management Plan document with associated funding requirements for follow-on review and evaluation of impact on financial management plan.

Measure of success: To be determined.

Complete by: On schedule for December 2012 completion – ongoing improvements beyond that.

B.2 Complete ongoing engineering studies (Wastewater Treatment Plant Capacity Study; Water Distribution Model and Wastewater Collection System Evaluation) to improve our ability to identify and prioritize capital improvement projects.

WWTP Hydraulic and Treatment Capacity Study: Complete. Like the hydraulic and treatment capacity portions of the study, the plant's optimization efforts have produced positive results that will continue to yield significant cost savings for current and future customers. Information from the report was used to identify capital improvements in the Fiscal Year 2012 – 2016 Capital Improvement Plan. Last report.

Water Distribution Hydraulic Model: Complete. This report identified areas of capacity and/or pressure concerns that need to be addressed in our system through 2030. The model results indicated that OWASA's system has relatively few deficiencies. Information from the report was used to identify capital improvements in the Fiscal Year 2012 – 2016 Capital Improvement Plan. Last report.

Wastewater Collection System Evaluation (includes flow monitoring and computer modeled condition assessment): The final report will be issued in October 2011. Information from the draft final report was used to identify capital improvements in the Fiscal Year 2012 – 2016 Capital Improvement Plan and information from the final report will be used to identify capacity deficiencies and areas where additional (physical) assessment and inspection should occur in our system through 2030.

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Measure of success: These engineering studies provide information to further improve our ability to identify and prioritize capital projects needed to sustain our operation.

Complete by: As noted above.

B.3 Secure Future Access to OWASA's Jordan Lake Water Supply Allocation by working with the Jordan Lake Partnership and other stakeholders.

OWASA continues to play an active role in the Jordan Lake Partnership, including providing assistance to the Triangle J Council of Governments in developing the Triangle Area Regional Water Supply Plan (RWSP), which will provide information to support the allocation requests of individual Partners. The NC Division of Water Resources (DWR) is updating the Cape Fear River Hydrologic Model, which will be used to verify/validate yield estimates of existing water supply sources and the effects of future water withdrawals on downstream flows throughout the Cape Fear River basin. Partnership members are currently scheduled to submit draft allocation requests to DWR and NC Environmental Management Commission (EMC) by June 2012 with final applications due in September 2012. OWASA has not been successful in obtaining local government approval to revise language in the 2001 *Water and Sewer Management, Planning and Boundary Agreement* (WSMPBA) in order to clarify that the Agreement does not constrain access to our Jordan Lake storage allocation.

Future work:

- Continue to seek approval from Towns of Chapel Hill and Carrboro for modification of the WSMPBA.
- Submit application for 5 mgd Jordan Lake Level 1 water supply allocation.

Measure of success: EMC approval for OWASA to retain its 5 mgd water supply allocation and convert its status from Level II (long-term future use) to Level I (for use within the next 5 years).

Complete by: 2012

C.1 Continue to evaluate and implement needed changes in compensation and development programs to attract and retain a diverse and high performing team of employees.

The Board approved an average merit pay increase for employees of 2.5% effective October 24, 2011.

In May 2011, applicants were offered the option of applying for vacant positions completely on-line.

Future work:

- The FY 2012 Budget includes funding for an Employee Classification and Compensation Study. The study will analyze and recommend improvements in four areas: employee classifications, compensation structure, total compensation, and our performance appraisal /

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pay-for-performance system. We have issued request for proposals and expect to engage a consultant before the end of October 2011. We expect to complete the study in May 2012.

- Meet with Human Resources Committee to discuss additional opportunities to “attract and retain a diverse and high performing team of employees.”

Measure of success: Attrition rate July 1, 2010 – June 30, 2011 = 5.1%
Diversity July 1, 2010 – June 30, 2011
Male 76%
Female 24%
Minority 24%

Complete by: Ongoing

C.2 Develop a Succession Plan for Key Positions.

Succession Plan for the Executive Director was accepted by the Board on June 10, 2010.

Succession plans for key employees throughout the organization have been completed.

Measure of success: For the period of July 1, 2010 – June 30, 2011 there have been five internal promotions using the Skill Base Pay program.

Complete by: Completed – July 31, 2011. Plans will be modified as needed as personnel changes occur.

C.3 Complete development and field validation of OWASA infrastructure in the Geographic Information System (GIS).

Substantial progress has been achieved, but much work remains and will require several more years of sustained effort. Recent accomplishments:

- Completed field validation of the locations and attributes of water distribution lines, fittings, hydrants, valves, etc. for 73% of OWASA’s service area.
- Purchased new “survey grade” global positioning system equipment to accurately locate the vertical and horizontal locations of key assets. Provides greater overall accuracy of GIS data – especially for the wastewater collections system – and less reliance (and associated costs) on contract surveyors.

Future work:

- Field validation of the remainder of the water distribution system; improved accuracy of sewer system data in areas where problems have been specifically identified; and improved linkage between GIS and OWASA’s Customer Service database. Improving the accuracy/functionality of this critical system will be ongoing.

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Measure of success: All employees regard GIS-based water and sewer information as highly accurate and reliable.

Complete by: The validation of water features in the remainder of the service area and resolution of other known deficiencies will be completed by 2016.

D.1 Implement new and improved online billing and account management features.

Customer web is up and running. Redundancies in entering credit card transactions have been eliminated. Approximately 25% of customers have registered for Customer Web and just over 10% have elected to receive their bills online versus receiving a paper bill by mail.

Future work:

- Promote increased use of customer web.

Measure of success: Customer Web formally rolled out to customers October 28, 2010; redundant transaction processing eliminated by October 1, 2010; 10% growth per year in number of customers using online billing with 30% of customers using online billing by the end of the third year from implementation.

Complete by: 10% of customer base using online billing by June 2011 (this measure was achieved)
30% of customer base using online billing by June 2013

D.2 Develop a plan to measure customer satisfaction, now and into the future.

Future work:

- On November 3, 2010, The Outreach and Education Committee agreed that this survey should be deferred until after the budget process in 2011. The survey will be a part of the Outreach and Education Committee's engagement plan mentioned in Section A.4 above.

Measure of success: Extent of customer participation in the survey.

Complete by: To be determined.