

Water Utility Strategic Planning From Concept to Implementation



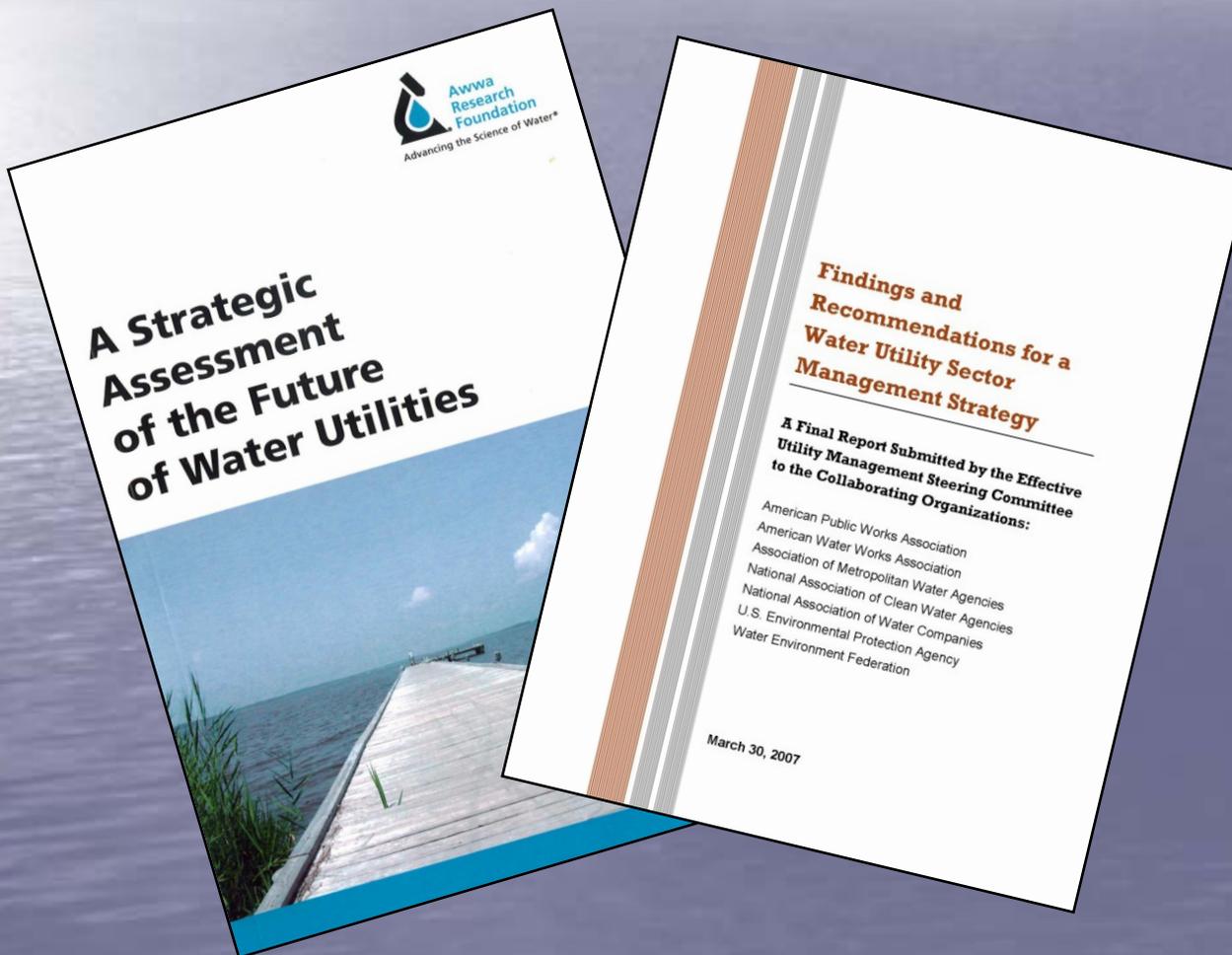
May 7, 2009

HDR Engineering, Inc.

Presentation Overview

- Why Bother?
- Topics
 - Administration, Customer Service, and Intradepartmental
 - Master Planning, Modeling, and Regulatory Compliance
 - Operations, Maintenance, and Asset Management
 - Financial Policies, Procedures, Reporting, and Rate Making
- Mission Statement & Core Values

What will the future be for your Water Utility?



Utilities of the future will likely do three things really well:

- Operationally efficient
- Engaged in the community
- Integrate water management, sustainability, and public policy decisions

To leverage regional opportunities, relationships, and economies of scale.

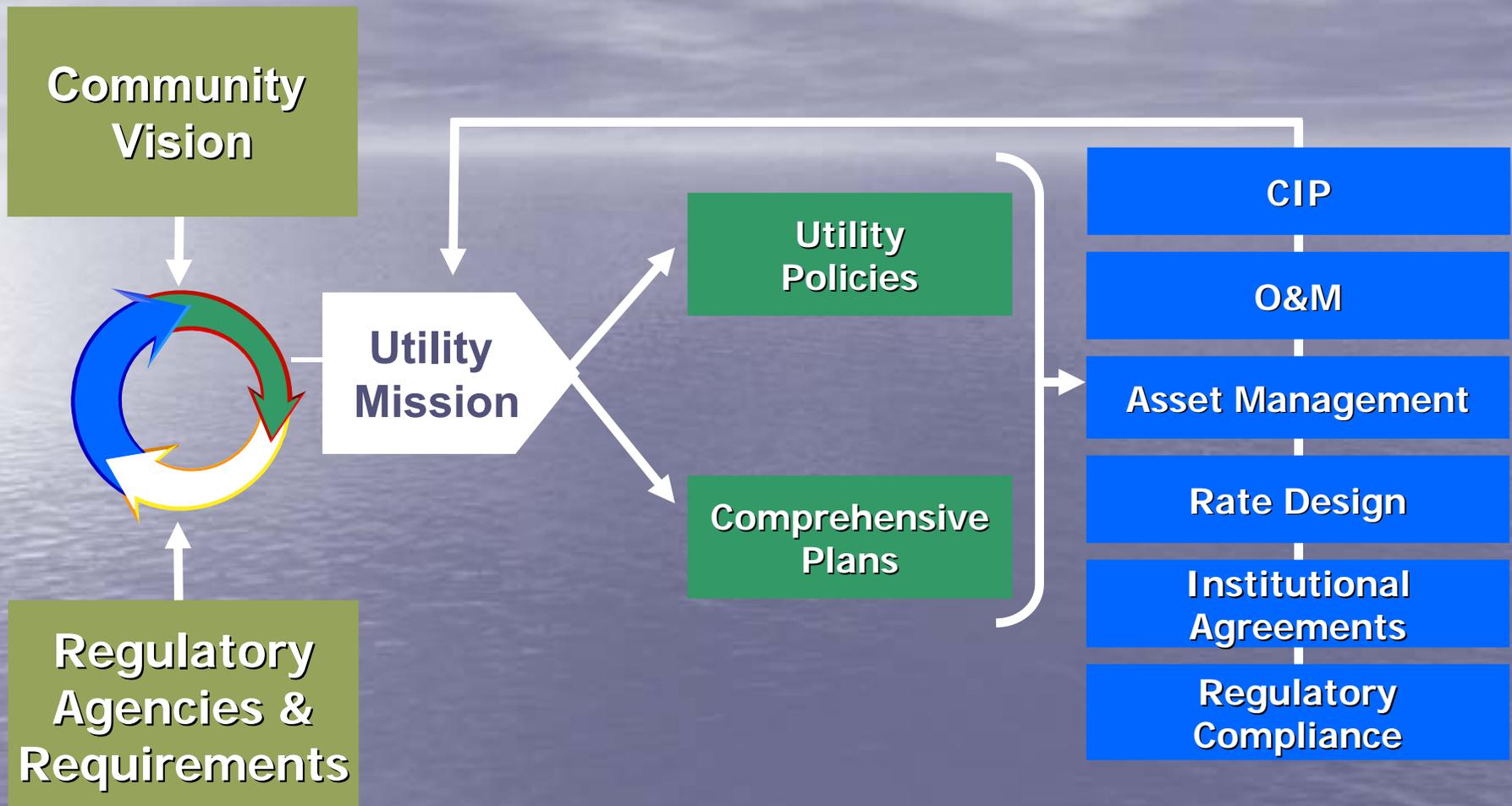
The 10 Qualities from *Effective Utility Management - A Primer for Water and Wastewater Utilities*, June 2008.

1. Produces its product (potable water, treated effluent, etc.) in full compliance with any regulatory and reliability requirements.
2. Provides "reliable, responsive, and affordable services."
3. Strives to recruit and retain competent, motivated, adaptive and safe employees and leaders.
4. Ensures all facets of utility operations are optimized.
5. Should be financially viable.

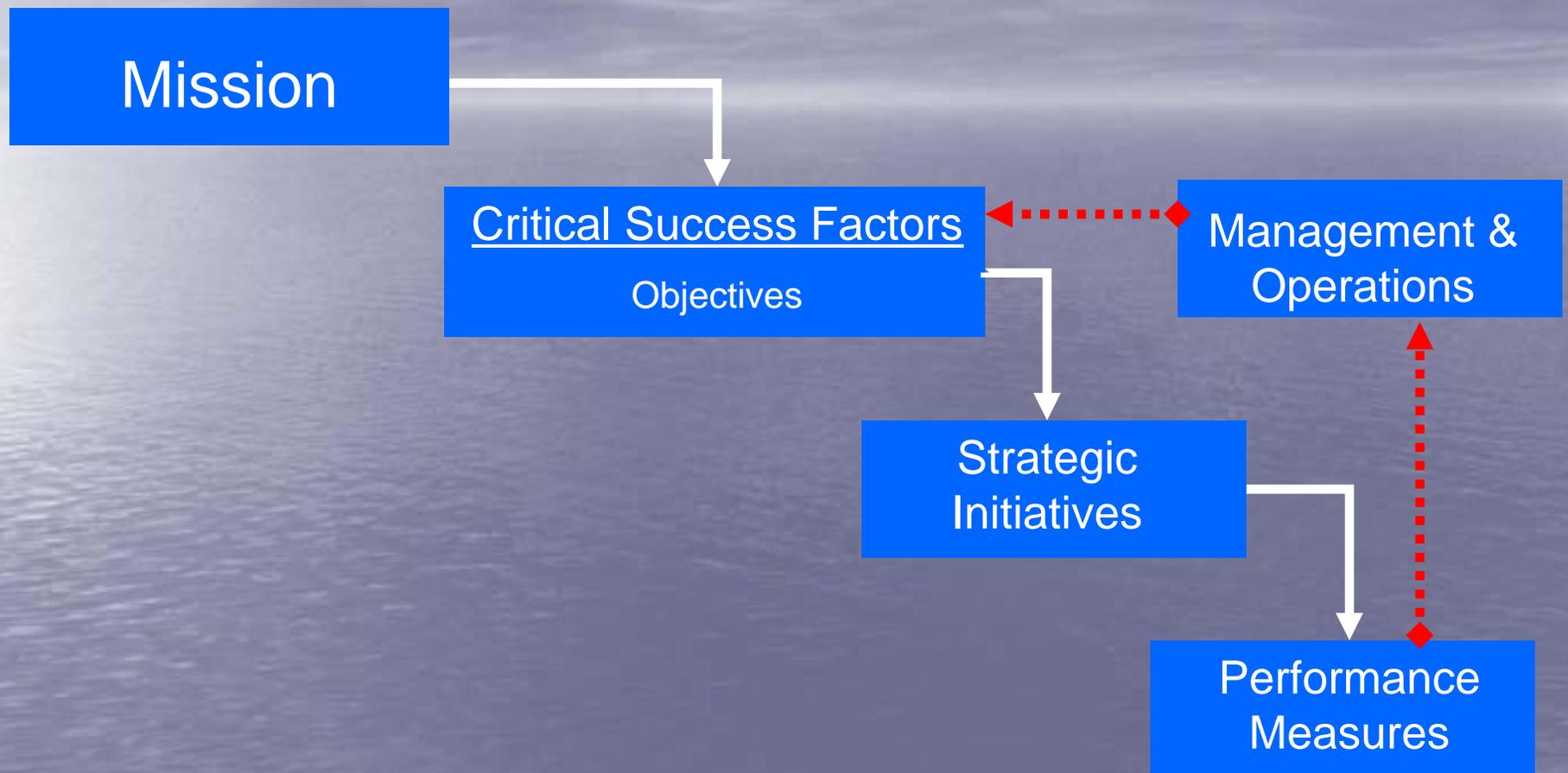
The 10 Qualities from *Effective Utility Management - A Primer for Water and Wastewater Utilities*, June 2008.

6. Should have stable infrastructure and know the condition of all assets.
7. Is operationally resilient with a collaborative and proactive work environment.
8. Is conscious of the effects and impacts its decisions have on the community.
9. Ensures the water provided is consistent with current and future customer needs.
10. Should gain and maintain stakeholder understanding and support.

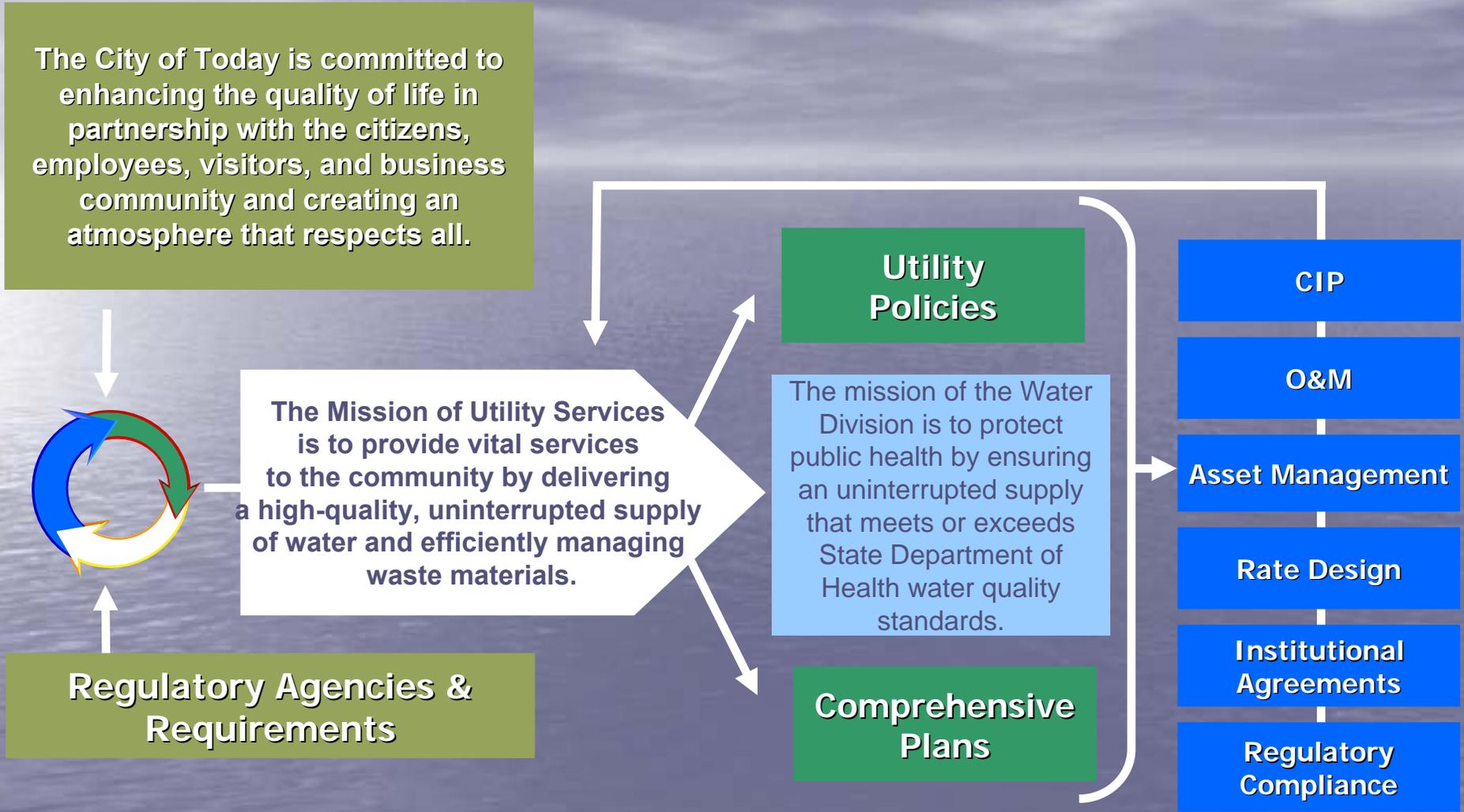
Strategic Business Plan Model



Strategic Planning Hierarchy



Strategic Business Plan Model



Comparison of Mission Statements

Statements	Core Values
City	Workforce
	Quality of Life
	Economy
Utilities	Efficiency
Water	Provide Service

Strategic, Facility, and Financial Plan Process

Planning & Policies

- Planning Criteria
- Land Use Plan
- Policies and Critical Success Factors

Master Planning & Modeling

- Regulatory Compliance
- System Analysis
- CIP and O&M

Asset Management

- GASB 34
- Inventory & Database
- Annual Renewal & Replacement

Financial Master Plan

- Rates (Rates, Fees, Capacity Charges)
- Financing Strategy and Policies
- Customer Service

Reviews and Updates

Scheduled Reviews for:

- Strategic Plan and Performance
- Facility & Financial Master Plans
- User Rates and Charges

Planning & Policies: Critical Management Tool

Roadmap

Provides management with clear direction

Framework

Provides consistent & logical financial / rate decisions

Documentation

Provides future Boards with basis for reasoning behind past decisions

Message

Provides customers information to understand Board's philosophy

Provides strong message to outside financial community

Integrated Master Planning



Asset Management

Financial Planning/Budgeting

Identify & Prioritize Projects

IT to Support Programs

Inspection & Condition Assessment

Develop & Implement Decision Process

Forecast Asset Replacement Needs

Update Asset Databases & Identify Gaps

Financial Master Planning



Planning and Policies: Sets the foundation for prudent fiscal management / rate setting

Revenue Requirements: Utility revenues compared to expenses, determines overall “level” of rate adjustment

Cost of Service: Equitably allocates revenue requirements to customer classes

Rates: Design rate structure to collect targeted (required) revenues

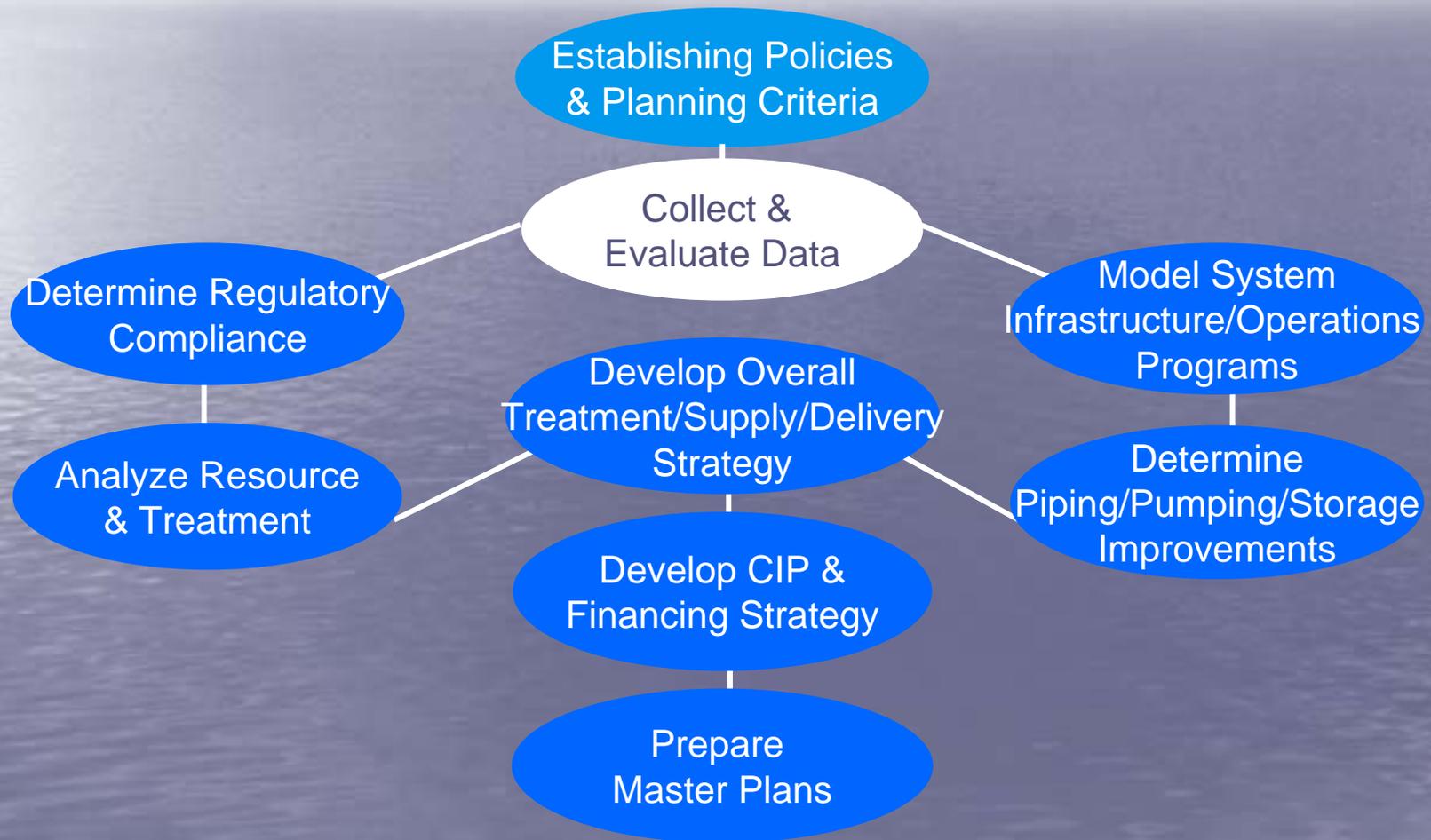
Keys to Success

- Plan Early – Plan Often
- Integrated Process is the Most Effective
- Planning Policies & Master Plans
- Time to Full Implementation (1-2 Years)
- Scheduled Reviews & Updates

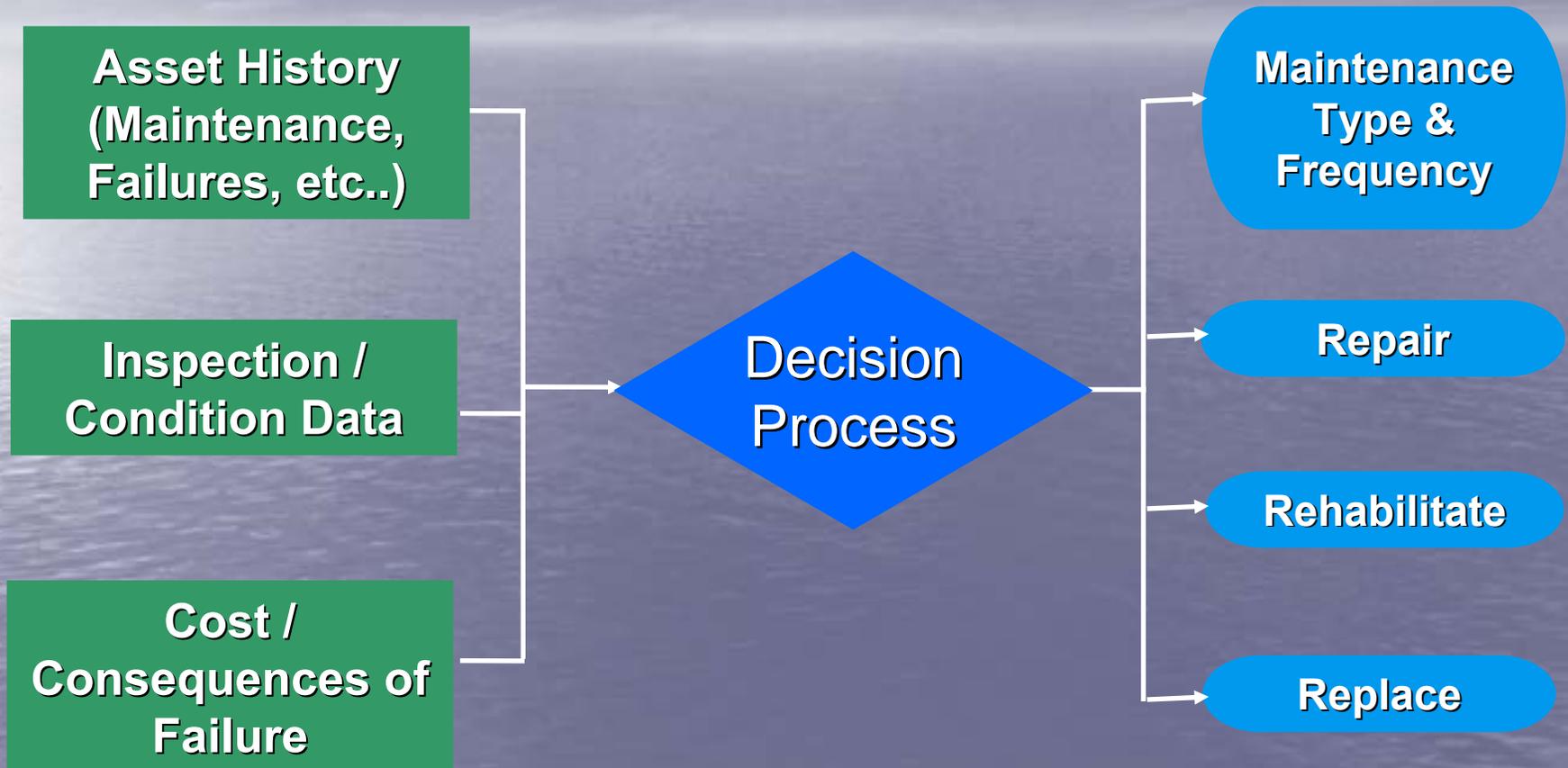
Administration, Customer Service, and Intradepartmental

- Organizational Structure
- Public & Customer Communication
- Customer Service Objectives – Critical Success Factors
- Interdepartmental/Interutility Communication & Reporting
- Integration with Land Use Policies & Standards
- Project & Activity Prioritization
- Elected Officials & Public

Master Planning, Modeling, and Regulatory Compliance



Develop Asset Management Decision Processes



Budget and Fiscal Policies

- Financial Reporting / Management
- Budget
- Revenue
- Capital Improvement
- Debt
- Reserve
- Rate Setting Capacity & Connection Fee

Financial and Rate Making

Key Policy “Drivers”

Enterprise Fund Accounting

- **Separate Utility Type Accounts**
- **System Specific Capacity Charges**
- **Sub-Accounts for Grants/Loans**

Capital Improvement Plan

- **20-year Forecast with 5-year Updates**
- **“Growth Pays for Growth” Preferred**
- **Financing Strategy**
- **Debt Service Coverage \geq Covenants**

Renewal & Replacement

- **Annual Depreciation Target**
- **Tied to Asset Management**
- **Funded by Rates**

Reserves

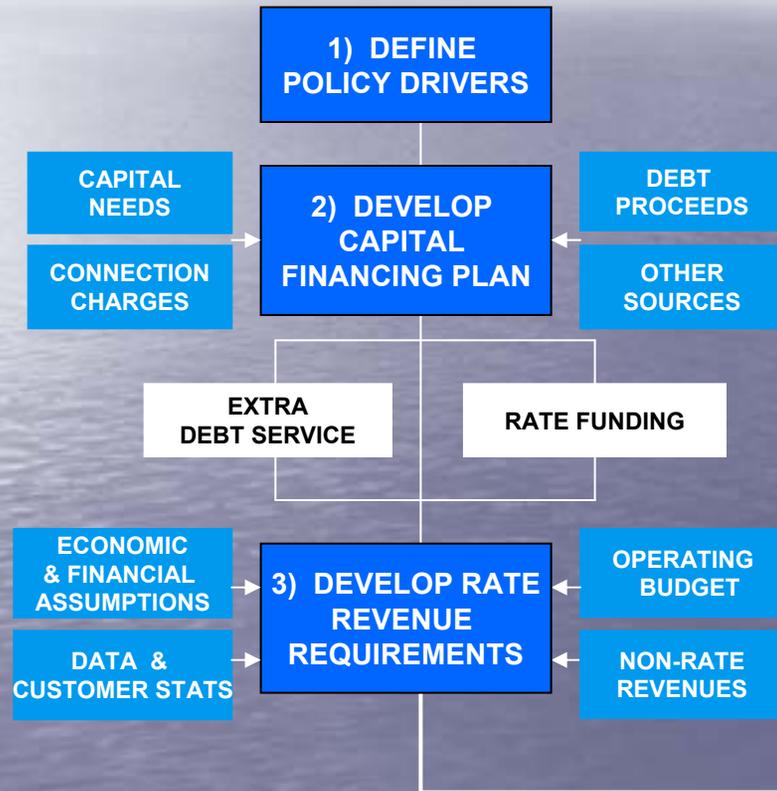
- **Operating = X days of O&M**
- **Emergency = Interim Cash Flow**
- **Debt Service = Bond Covenants**
- **Rate Stabilization**

Capacity & Connection Fees

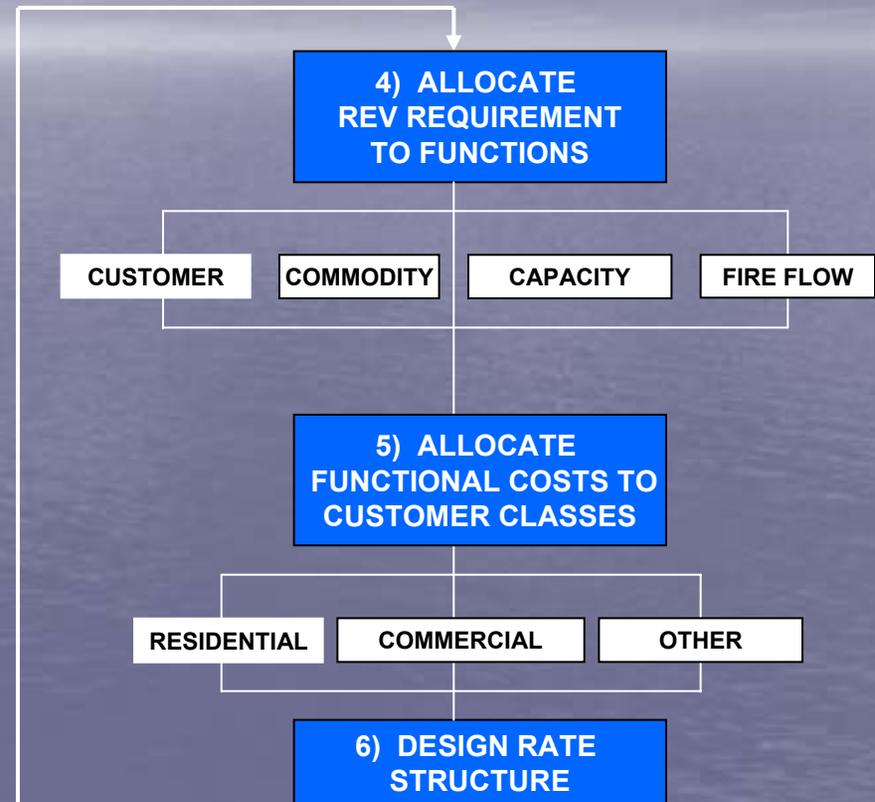
- **CIP Project Use Only; Not O&M**
- **Offset to CIP & Debt Service Payments**
- **Annual Adjustments Using ENR Index**

Financial Plan Process

Capital Financing & Revenue Requirements



Cost-of-Service Analysis & Rate Structure Design



Project Outcomes

- 3 Key Observations
 - Does what you have work well?
 - Does what you have need some “tweaks”?
 - Is there something missing that you should have?
- Strategic Plan Report
- Strategic Initiatives

City of Today Strategic Initiatives

INITIATIVE #X: TITLE OF INITIATIVE

To create

PERFORMANCE MEASURES

VITAL FACTOR X-X: Name of vital factor supporting initiative

Outcome

Actual Measurement

Benchmark

Performance Goal

Goal Attainment Period

Department Ownership

Project:				
Ownership	Priority	Estimated Budget	Known Funding Amount	Known Funding Source
FY 2008/09 Milestones		Comments:		
July - October 2008				
November 2008				
December 2008				
January 2009				
March 2009				
July 2009				

Mission Statements & Core Values

City

Utility Services

Water Division

Mission Statements

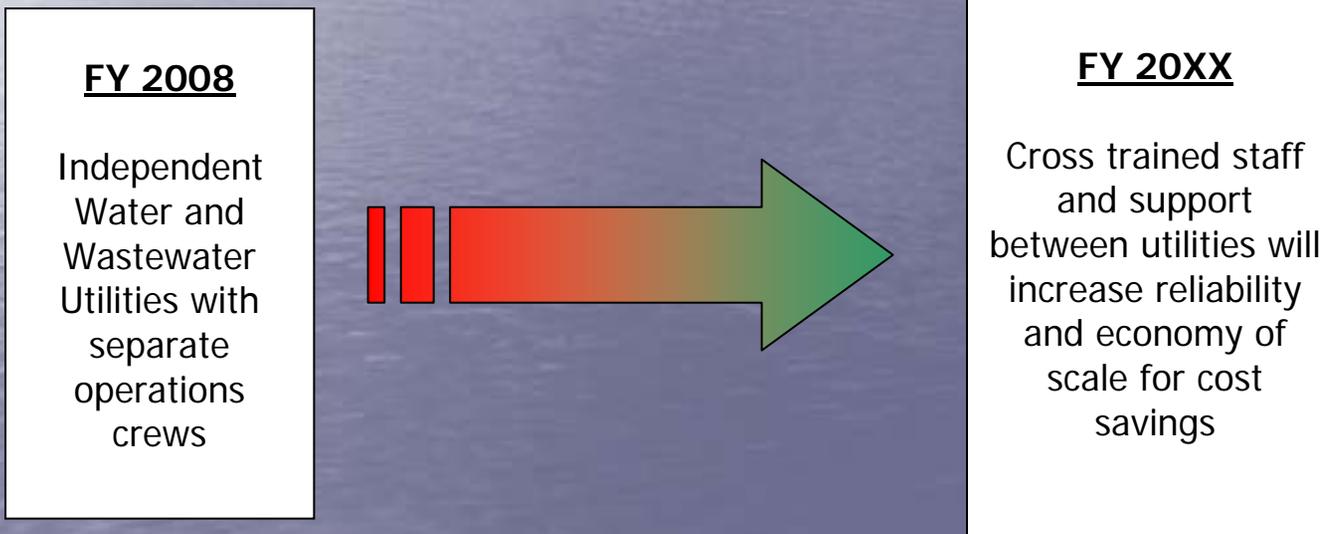
The City of Today is committed to enhancing the quality of life in partnership with the citizens, employees, visitors, and business community and creating an atmosphere that respects all.

The Mission of Utility Services is to provide vital services to the community by delivering a high-quality, uninterrupted supply of water and efficiently managing waste materials.

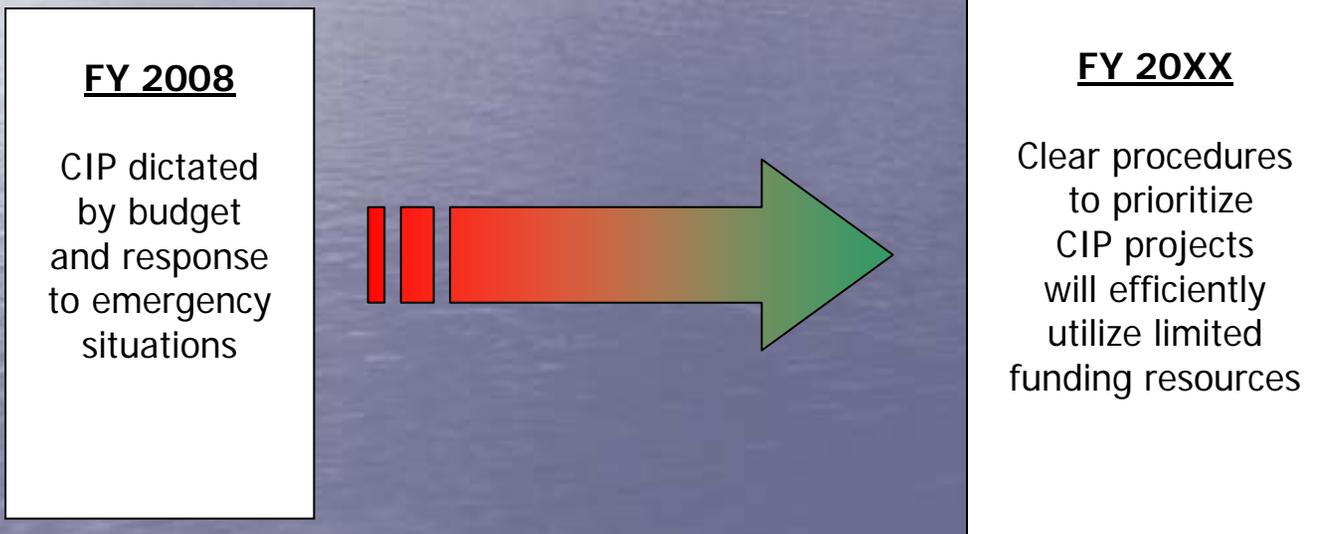
The Mission of the Water Division is to protect public health by ensuring an uninterrupted supply that meets or exceeds State Department of Health water quality standards.

Critical Success Factors / Core Values

Strategic Initiative # 1: Combine and Cross-Train Water and Wastewater Operations Field Crew



Strategic Initiative # 2: Develop CIP Prioritization Procedure



Example CIP Scoring Scenario

Category	Rankings		
Protection of Prior Investment/Reliability	0 – Meets standards	2 – Doesn't meet	3 – critical
Regulatory/Mandated	0 – Meets regulations	2 – Doesn't meet anticipated regulations	3 – Doesn't meet current regulations
Growth/Expansion	0 – Meets current & future	2 – Doesn't meet future needs	3 – Doesn't meet current customer needs
Water Quality (non-regulatory)	0 – Will not affect water quality	1 – Will improve water quality <20% customers	3 – Will improve water quality >20% customers
Meet Customer Service Expectations	0 – Expectations met	1 – Service improved 2 – Unable to meet	3 – Unable to meet service standard @ critical connection
Cost control	0 – No cost savings	1 – Cost reduced by 1 time opportunity 2 – Future cost savings or 1-time	3 – Payback < 2 years or loan and grant financing
Public Health & Safety	0 – No health & safety benefit		3 – Increase health & safety
Environmental Stewardship & Sustainability	0 – No environmental impact	1 – Limited enhancement 2 – Moderate enhancement	3 – Benefits mitigation or sustainability
(Time Limited)	0 – No partnering opportunities	2 – increased cost or lost partnering if wanted	3 – Irrevocably lost opportunity if don't proceed