

2023 BOT Objectives for District and Role of OEC

It had become a common occurrence for action items in Board meetings to involve significant and repetitive discussion of the same complex issues, such as: the City's 1997 ordinance, requirement for annexation in agreements with the City, cost of service and wholesale treatment, metrics for expansion, competition, cost-effective infrastructure, long-term viability of cooperative agreements, and the potential impacts of these and other issues on project costs, staffing, expenses, etc.

In 2019 the operational excellence initiative, all in the spirit of continuous improvement, was created as an initial step to address these concerns, on an ad-hoc basis and with the general blessing and concurrence of the Board. The focus of these collaborative meetings with staff has been: obtaining a better understanding of costs and how to use that data to manage activities and foster improved communications with the District's customer base; evaluating facets and opportunities of the business to improve delivered value; and improving employee and leadership development. Better understanding of individual projects' impacts on the system as well as management issues would help to inform decision making by the Board.

In addition, there had been no demonstrated forward movement in large-scale management issues, such as succession planning, professional development policies for staff, or long-term strategic planning, all of which had been discussed at length with the GM. Fast forward through the pandemic, and retirement of the long-term finance manager, and it became clear that critical financial and administrative expertise needed to augment operational analysis, address aforementioned items and assist the board in policy review and development, was lacking.

After discussion in board meetings and OEC meetings held in 2022, the OEC was affirmed, approved unanimously by a resolution of the Board on February 21, 2023. This approval was coupled with the unanimous approval of new by-laws for the District that more accurately reflect the purpose of the Board as proscribed in authorizing legislation for the District.

Simply put, the OEC goal is to analyze operational, financial and managerial areas to identify any deficiencies which effectively limit the Board in the discharge of its duties, and subsequently the most effective deployment of District assets of time and money. Such deficiencies might include: need for additional staff, staff with specific expertise, or staff training; revised or additional policies, procedures, or protocols; need for outside consultants in specific areas; new or updated software or hardware, and procurement of same, and develop operational metrics to evaluate performance, among others.

Identifying any deficiencies is the first step; once that is done, opportunities to correct deficiencies must be identified and cost-benefit analyses undertaken. This is a significant task, and several members have undertaken to do the bulk of the heavy lifting, and subsequently present issues and options to the Board for review and any needed action items.

The OEC has begun work on several fronts, which fall into broad categories.

OPERATING MISSION

The mission statement has been updated and it includes providing cost-effective service. From the standpoint of the customer, cost of service is a dollar number. Some public opinion suggests that current costs are comparatively high; future costs are only projected to increase substantially. To date, management view has been "it is what it is". At some point, the District must begin to rationalize cost of

service from the perspective of the customer. The nominal charge may of necessity be high, but we need to be able to justify it, whatever it is.

OPERATING STRATEGY

The operating strategy to provide cost-effective service must be developed. This means that the associated costs of various services must be defined, which presently cannot be done. It is not for the Board to create an operating strategy; the GM is the accountable executive to develop and monitor an operating strategy, but has thus far failed to lead on this, or execute items on his task list. The role of the Board is to advise, approve and adopt.

WORK PLAN TO ADDRESS:

- Revised Org chart (completed)
- Critical functions identified and assigned to management (initialized and to be amended as required)
- Management to develop responsibility matrix (RACI) (in process)
- Managers to add depth and specificity to own areas of accountability
- Updated job descriptions to follow
- Measurement: what to measure, how to measure, how to get it done (in process and on-going)

PROFESSIONAL DEVELOPMENT/SUCCESSION PLANNING

Currently a plan to provide and encourage professional development does not exist. Transition in finance in 2020 was unsatisfactory and uncovered deficiencies in training and skills. Current manager has skills and experience to hopefully advance the critical functions in finance and human resources. After a retirement in operations, transition was completed, but maintained the status quo regarding performance expectations. The stated plan for a future operations manager retirement is that someone will step in.

WORK PLAN TO ADDRESS:

- Define accountable functions for GM and management team (in process)
- Broaden scope of responsibilities of managers beyond the GM to create a more robust management "team"
- Formalize staff responsibilities
- Develop policies and goals to better utilize relevant available training to increase expertise for all employees
- Formalize performance review process with focus on ladder for advancement
- Formalize in-house professional development opportunities, including goal-setting and measurement toward achievement

CONTINUOUS IMPROVEMENT GOAL

Throughout this initiative, reference has been made from time to time to Effective Utility Management (EUM) attributes and keys to management success, which are:

Leadership: Some definitions of good leadership include the capacity to influence others to achieve worthwhile results; ability to challenge the status quo to motivate others to achieve something new or better; includes strategic thinking, delegation, communication, flexibility and enthusiasm.

Strategic Business Planning: A strategic business planning process does not exist..

Knowledge Management: Knowledge of processes, procedures, laws, regulations, how to analyze or write a detailed report, who to call for a specific problem or issue, where are contracts located, who understands the terms of contracts, etc? Is knowledge stored in an accessible manner? Who has access to it?

Measurement: Relates to the above. Only recently, and primarily as a focus of the OEC, has there been an acknowledgement that information and the capability to manage and analyze that information is key to effectively manage the District.

Continual Improvement Management: There is no plan for continual improvement at the District.

The GM has said that the District subscribes to EUM, which has ten attributes:

1. Product Quality: What is the District's product? Clean water? Is that quality measured by meeting permit guidelines? Is our product service? How is the quality of service measured?
2. Customer Satisfaction: Does the District track any metric to address customer satisfaction? Or is it a gut feeling based on number and type of complaints?
3. Employee and Leadership Development: District does not have a plan that is based on skills, knowledge, and continuous improvement.
4. Operational Optimization: To date the District has performed only limited measurement, primarily as a function of meeting permit requirements. Current operations must be measured in order to identify ways to optimize operations.
5. Financial Viability: Currently District has only one mandate related to finances, which is to set rates adequate to provide net revenues of 110% of debt service on an annual basis. There are other measures of financial viability which should be discussed and evaluated.
6. Infrastructure Strategy and Performance: Same comment as operational optimization.
7. Enterprise Resiliency: Assumed to exist. The recent pandemic did stress certain components of the organization. A report has been requested about lessons learned for the future.
8. Community Sustainability: District has had only limited engagement on this issue from the perspective of how provision of wastewater services in Boone County can impact overall sustainability of the community.
9. Water Resource Sustainability: Would programs and solutions beyond permit compliance be beneficial?
10. Stakeholder Understanding and Support: OEC has encouraged more deliberate and specific outreach to customers.

WORK PLAN TO ADDRESS:

- Formalize management and staff accountabilities and responsibilities in accurate job descriptions (in process)
- Develop methods to measure individual employee performance toward job requirements and short and long-term goals
- Develop policies for review/evaluation of performance at certain benchmark occurrences (probationary period, promotion, etc.)
- Develop policies for identifying/monitoring deficiencies and progress for correcting
- Perform periodic analysis of wages and benefits to maintain competitiveness
- Develop and monitor policies for wage improvement related to performance

- Analyze existing District policies and develop new policies as needed with the goal of incorporating effective utility management