



STRATEGIC PLAN AND CHANGE

Internal Communication Elements



City of Raleigh
Public Utilities Department



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A Letter from the Director:

Friends and Colleagues,

This document is intended to help communicate about our Department's Strategic Plan and the process of implementing it.

Our management team went through an intensive self-evaluation and identified eight areas for improvement. Then we developed goals, objectives and action items for each improvement area.

This work is intended to set us on a new path of continuous improvement and optimization. Challenges facing the department are significant, and to ask for the additional money necessary to replace our pipelines will require us to answer the question "are you as efficient as you can be" with a resounding yes, and to be able to prove it.



The good news is that our future looks bright. Our community is well positioned to capture a large share of the economic growth opportunities that will present themselves for the next 30 years. Our utility has a bright and capable workforce, who are committed to providing our customers with the best service in an efficient manner.

The simple fact is that the work you do every day is important to virtually every aspect of our community. Many projections show that our service area population will double in the next 50 years, and that will provide many opportunities for advancement.

I encourage you to read this document and come to work prepared to help us improve our organization. There will always be a place in our organization for those who are willing to learn, willing to try something new and looking for new challenges. Let us work together to make this a better utility, and take pride in our continuous improvements.

Carman

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Acronyms:

AMWA =	Association of Metropolitan Water Agencies
AMR =	Automatic Meter Reading
APWA =	American Public Works Association
AWWA =	American Water Works Association
CEAP =	Cost Effective Analysis Process
CAP =	Customer Assistance Program
CCB =	Customer Care and Billing
CCF =	C (Roman Numeral for Hundred) Cubic Feet
CIP =	Capital Improvement Plan
EPA =	Environmental Protection Agency
ERP =	Enterprise Resource Planning
EMS =	Environmental Management System
EUM =	Effective Utility Management
GHG =	Greenhouse Gas
NACWA =	National Association of Clean Water Agencies
PUD =	Public Utilities Department
PUGSB =	Public Utilities Global Speakers Bureau
SIP =	Sustainable Infrastructure Program
WEF =	Water Environment Federation
WSRP =	Water Shortage and Response Plan
WUTAT =	Water Utility Transition Advisory Task Force

WHAT is a Strategic Plan?

A *Strategic Plan* is developed to help define the future direction of an organization, creating a road map for making resource allocation decisions that take us where we want to go. With many challenges and limited resources, we make investment decisions for the utility every day. The Strategic plan will help us decide how to optimize our investments in our people, work processes and the tools needed to do the job of providing our customers with world class service.

Strategic Planning has a long track record of success in private industry, with every major and most minor corporations implementing and constantly updating their Strategic Plans. Large regional utilities have long recognized the value of strategic planning efforts in optimizing service delivery for utility customers.

To facilitate a national effort to improve the consistency of planning in the water industry, the Environmental Protection Agency (EPA), and a number of key industry organizations¹ developed the Effective Utility Management Principles (EUM)², a guidance document for the water and wastewater industry.

The management team used this planning and guidance document to identify and prioritize eight areas for development or improvement. These eight areas, described below in alphabetical order, encompass several major themes found with the EMU guidance document. These development areas will serve as the focal areas for this Strategic Plan. More detail is found in the HOW section on pages 25-32.

Eight Areas for Development

1. Customer Service

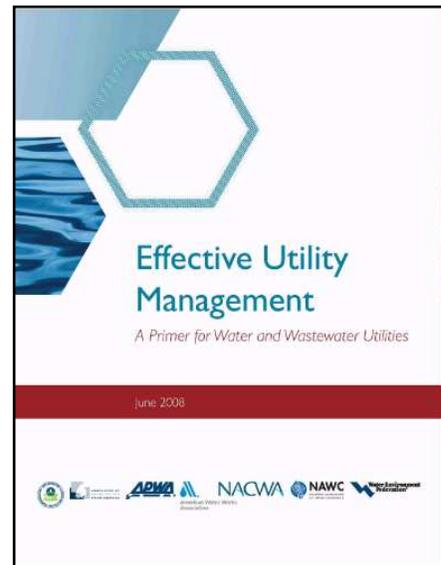


Figure 1: EPA's Effective Utility Water Management, EUWM.

¹ The Association of Metropolitan Water Agencies (AMWA), American Public Works Association (APWA), American Water Works Association (AWWA), National Association of Clean Water Agencies (NACWA), and Water Environment Federation (WEF).

² Environmental Protection Agency (EPA). (June 2008). *Manual for Effective Utility Management: A Primer for Water and Wastewater Utilities*. Retrieved from: <http://www.epa.gov/nscep/index.html> .

2. Employee & Leadership Development
3. Environmental Stewardship
4. Financial Viability
5. Operational Optimization
6. Reliability
7. Stakeholder Outreach
8. Water Resource Management

WHY is the Department Implementing a Strategic Plan?

The Public Utilities Department (PUD) is faced with many challenges. Ongoing reductions in per capita water consumption and the relatively high fixed cost of running the utility have resulted in challenges generating enough revenue to run the utility, even with a series of significant rate increases and more than 10% of our positions vacant. The economic downturn and the accompanying reduction in revenue from new development has also significantly affected our revenue. The bond rating agencies in turn have increased the creditworthiness requirements necessary to maintain the AAA credit rating, also adding higher revenue requirements. Finally, we will have even higher revenue needs in the future to address aging pipeline repair and replacement costs. All of these challenges are complicated by the fact that the Public Utilities Department has a complex and capital intensive business model.

In June 2010, the City Council proposed creating a Water Utility Transition Advisory Task Force (WUTAT)³ to advise on conforming the water utility's business model to reflect a sustainable Strategic Plan.

City Council Guidance to WUTAT:

- *Consider establishing utility rates sufficient to cover the full cost of operation, maintenance, environmental compliance, conservation education and incentive programs, and infrastructure replacement based on industry standards;*
- *Consider establishing additional conservation education and incentive programs;*
- *Consider implementing a low income Customer Assistance Program; and*
- *Consider combining the Stormwater Division with the Public Utilities Department.*

Over the course of 18-months, the WUTAT met twenty times to craft a series of guiding principles and to develop a number of recommendations that were presented to the Raleigh City Council at a special meeting on March 5, 2012. The guiding principles included a call to

³ City of Raleigh (2010). Water Utility Transition Advisory Taskforce: Roles and Responsibilities, General Raleigh City Council Guidance.

develop and articulate a Strategic Plan, along with the WUTAT's 13 major recommendations to Council below⁴:

1. The Council should create a permanent Water Utility Advisory Committee to advise the Council and the Public Utilities Department.
2. The Council should conduct an annual workshop with the Water Utility Advisory Committee and the Public Utilities Department.
3. The Council should direct the Public Utilities Department, in consultation with the Water Utility Advisory Committee, to complete the preparation of a Strategic Plan by 2014.
4. The Council should benchmark the Public Utilities Department against utilities of similar characteristics.
5. The Council should seek legal assistance in determining how to protect infrastructure replacement reserve funds, revenue stability utility funds, and other designated reserves funds so that they are only expended for their intended uses.
6. The Council should direct the Water Utility Advisory Committee to work with the Public Utilities Department to create a cost curve and template to analyze the costs, benefits, risks and rewards of policy or investment proposals.
7. The Council should extend the Environmental Management System (EMS) framework to those departmental programs that are responsible for Public Health, Water Quality, Water Reclamation and future products, not herein envisioned and should maintain National Biosolids Partnership status for biosolids management.
8. The Council should direct the Public Utilities Department to conduct a comprehensive water audit consistent with AWWA standards on an annual basis starting in 2012 and include a report on audit results in the annual report to the Council.
9. The Council should ensure that all decisions and the practices of the Public Utilities Department have symmetrical equity between and among the city and its merger partners.
10. The Council should direct the Manager, PUD, its merger partners, and the stormwater utility in the Public Works Department to develop and fund a strategic communications plan to support public education.
11. The Council should direct PUD to continue to provide technical and financial assistance by supporting its existing water efficiency and conservation programs.
12. The Council should review the work completed by AmeriCorps staff for PUD and establish a program to provide financial assistance to low income customers. AmeriCorps staff found that a financial assistance program could be developed so as to work synergistically with existing local programs. The program should also encourage the replacement of inefficient water fixtures via the PUD's current incentives and rebate programs utilizing a direct delivery system.
13. The Council and the merger partners should, within the next several years, conduct a comprehensive assessment of alternative water utility governance models.

⁴ City of Raleigh (2011). Water Utility Transition Advisory Taskforce: Final report.

Why: Economic drivers and future liabilities

While there are several reasons for implementing this Strategic Plan, one of the primary drivers is undoubtedly the current economy. There are unprecedented external stresses on our Department, our City and the merger communities that we serve. These stresses include a near record economic downturn. Not since the great depression has our national and local economy endured such a severe and long-running downturn. Although the last year has seen marginal improvements in all indicators, unemployment in the Triangle still remains near 8 percent, which is 4.3 percent more than 2008, at the start of the recession. Total employment in our area is almost 10,000 less than 2008, even though our service area has seen an additional growth of at least 10,000 new residents. A graphic illustration of these statistics may be found in *Figures 2 and 3*, on page 14. The end result is a weak economy that contributes to lower tax and water/sewer revenues.⁵

Added to this economic reality is the challenge of planning for and investing in aging water and wastewater infrastructure in need of repair or replacement. The Public Utilities Department maintains over 2,300 miles of water lines and 2,300 miles of sewer lines within our seven communities. The replacement value of the existing underground infrastructure is estimated to be over seven billion dollars. Together with the “above ground” infrastructure of water and wastewater plants, water tanks, field operation centers and wastewater lift stations, the Public Utilities Department is responsible for over nine billion dollars of infrastructure. Although we are fortunate that a large amount of this infrastructure was installed after 1980, approximately \$500 million of water and sewer lines were installed prior to 1945 and are due for replacement or repair over the next 20-30 years. Along with necessary repair of above ground infrastructure, a significant number of unplanned underground investment burdens are expected over the next two decades.

The Public Utilities Department’s (PUD) 10 year capital improvement program has grown from approximately \$652 million in 2006 to approximately \$952 million in 2012, a 46 percent increase. At the same time, the annual debt payments, called debt service, has risen from \$16 million 2006 to \$48 million in 2012, over a 200 percent increase. In addition, the record economic downturn has made retaining a high bond rating difficult. The higher the bond rating, the easier it is for the City to borrow money for capital projects and the lower the interest rates for those bonds. The current bond market requires higher coverage

⁵ Allen. J. Russell (April 2, 2012). Council Pre-Budget Workshop from the City Manager City of Raleigh.

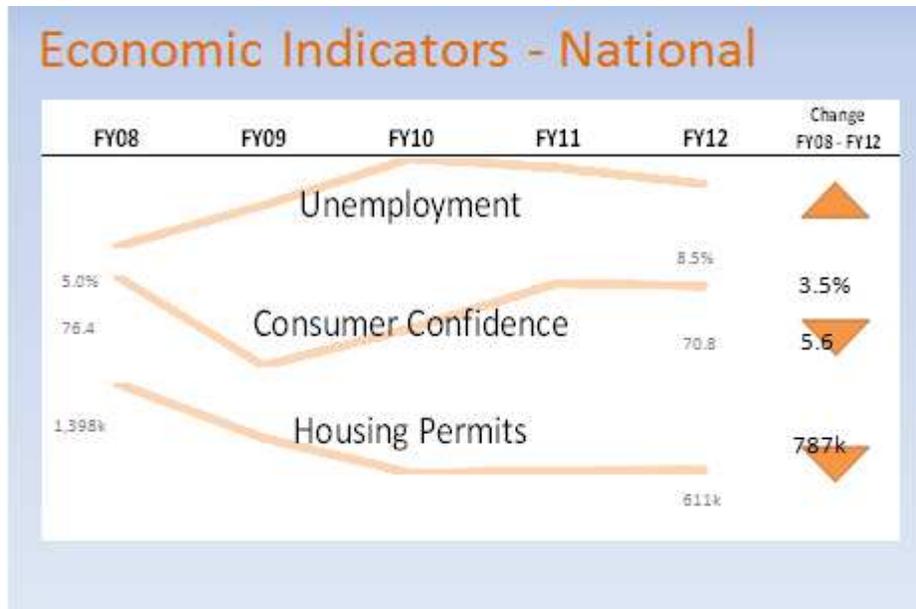


Figure 2: Statistical Indicators for the National Economy: Unemployment, Consumer Confidence, and Housing Permits. ⁶

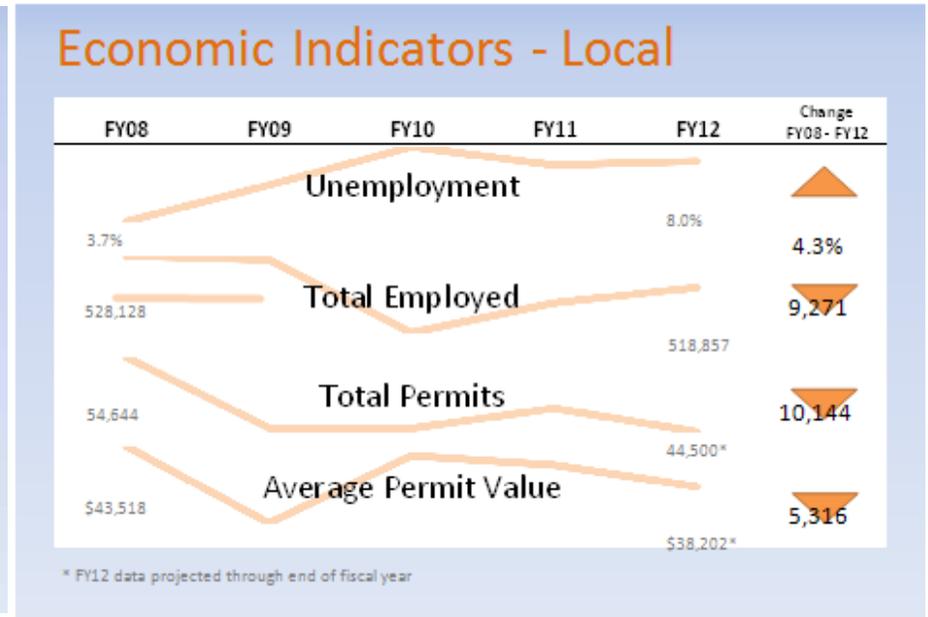


Figure 3: Statistical Indicators for the Local Economy: Unemployment, Total Employed, Total Permits and Average Permit Value. ⁹

⁶ Allen. J. Russell (April 2, 2012). Council Pre-Budget Workshop from the City Manager City of Raleigh.

National Economic Indicators: Unemployment data from data.bls.gov/timeseries/LNS14000000; Consumer confidence data from University of Wisconsin (via Conference Board) http://future.aae.wisc.edu/data/monthly_values/by_area/998?area=US&grid=true&tab=sales; Housing Permit data from – data tracked by calendar year; FY12 data from year ending December 2011. Source - Census Bureau - www.census.gov/construction/pdf/bpann.pdf

Local Economic Indicators: Unemployment: NC Employment Security Website <http://esesc23.esc.state.nc.us/d4/>; Total Employed: 1.8% decrease – Source – NC Employment Security website; Total Permits: 18.5% decrease between FY08 and FY12. The total number of permits issued by the City of Raleigh Inspections Department for building, electrical, plumbing, mechanical, and zoning trades; Average Permit Value: 12.2% decrease for City of Raleigh, as calculated by Inspections dept. Total permit value divided by total number of permits. Total value of permits in FY11 = \$1.96 Billion.

ratios⁷ for communities like Raleigh to retain its AAA bond rating. The cumulative effect of outside stressors creates a need for stable and growing revenues in the future. Revenues are problematic because the majority of revenues are generated from our customer's water and sewer rates, which have been highly variable.

As illustrated by *Figure 4*, most of PUD's revenues, 71 percent, come from user fees. These fees are variable, in so much as customers' who chose to conserve, cause our revenue to drop. In addition, 6.2 percent of the utility revenues come from new development, which is at historically low levels because of the economic downturn, thus over 77 percent of our revenues are unstable and subject to reduction during poor economic times. Our expenditures, on the other hand, are almost all fixed or unchanging in nature.

The discrepancy in costs and expenses is portrayed in *Figure 5*. Approximately 90 percent of costs are fixed; these include salaries, benefits and debt payments for capital projects and equipment. To rectify the cost/revenue disparity, the City has increased and adjusted its water and sewer rates every year since 2003. These adjustments equal an average residential water and wastewater bill for six hundred cubic feet (CCF) rising from \$20.17 in 2003 to \$48.71 in 2012, an upward fluctuation of approximately 141%. In spite of these increases, additional increases are needed over the next 5-10 years. Consequently, our citizens, our City Council Members and our rate payers will require assurance that our Department is as efficient as possible, and that our staff is making good use of the resources provided by our communities. One vital element of our Strategic Plan is to provide documentation of our ongoing commitment to service and to continue efforts to explore new efficiencies.

The external stresses listed above are mirrored by internal stresses on our Department. These stresses include previous experiences: the utility mergers over the last decade; the implementation of Enterprise Resource Planning (ERP) programs for the human resources management software; the commencement of new financial management software; and the inception of Customer Care and Billing (CCB) software. Our Department has also experienced change in the form of program and divisional reorganizations, the implementation of electronic meter reading, the change to a tiered billing structure, the move to monthly billing and a vastly expanded Capital Improvement Program (CIP). These changes, which are offered in the subsequent WHERE section on page 18, contribute to the need for this Strategic Plan.

⁷ Coverage ratios refer to the amount of revenues above and beyond those necessary to cover expenditures made in any one year. The higher coverage ratios required by the big three credit rating agencies, Standard & Poor's (S&P), Moody's, and Fitch Group, have required coverage ratios equal to nearly nine million dollars in additional revenue in the first year alone.

Figure 4: PUD's sources of revenue.

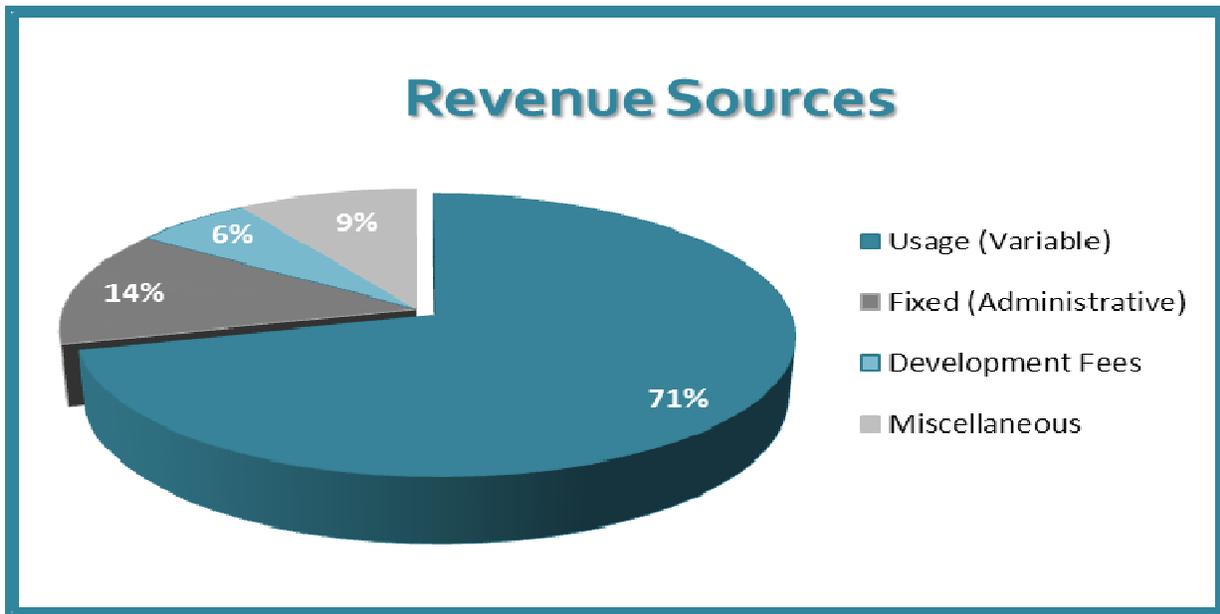
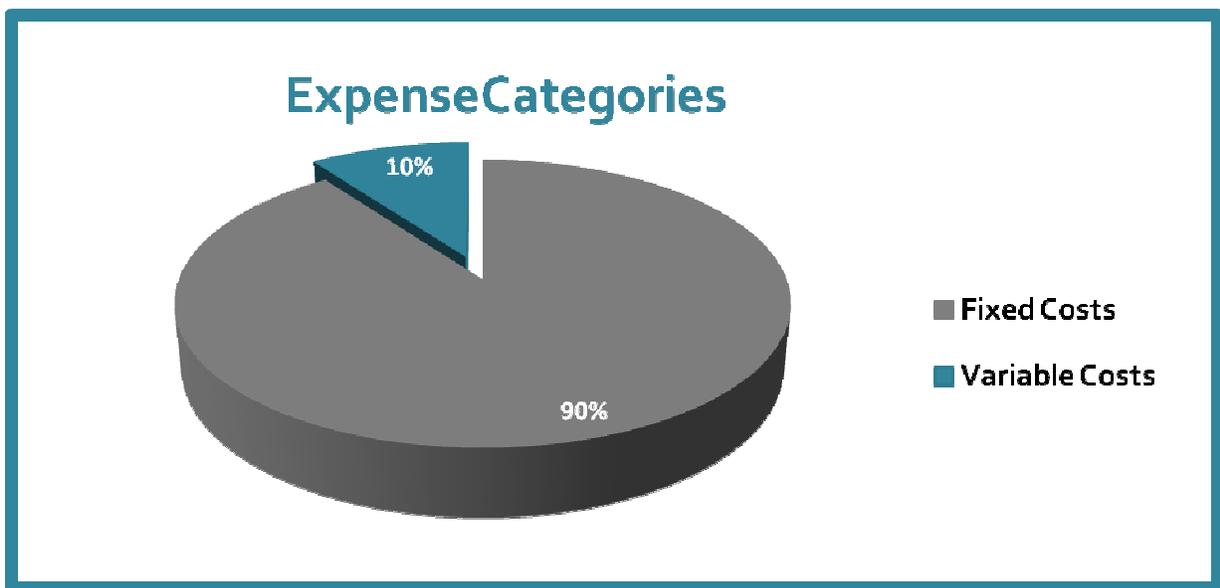


Figure 5: Categories of PUD's Expenses.



One of the eight areas identified for improvement within this Strategic Plan is Employee Leadership and Development. Within that category the management team has developed a series of action items designed to recruit, develop and retain our competent, motivated and agile workforce and retain institutional knowledge lost due to retirement of an aging workforce. This is a crucial element of the Plan, as the record economic downturn has impacted our employees directly, with the Department carrying an 11 to 14 percent vacancy rate in an effort to reduce the need for new revenues. This vacancy rate has occurred without a

noticeable decrease in service to the customer, meaning that all utility employees have stepped up to take on additional duties or workload. In addition, this has occurred in a time where limited or no salary adjustments, pay raises, range adjustments or other incentive compensation have been available. The requirement to continue to find efficiencies to offset additional rates and fees has added to this workload.

Our management team has tried to recognize these stresses, both internal and external, and to tailor the Strategic Plan to address these issues in a systematic approach. To be truly successfully, however, it is vital that all members of the Department develop understanding, acceptance and commitment to the Strategic Plan, even in the face of these internal and external stresses.

WHERE Will Change Occur?

When creating a Strategic Plan, it is important to establish a vision for where we want our organization to be at the end of this process. For the City of Raleigh Public Utilities Department, the management team recognized the need to have our Department compare favorably with leading utilities nationally and internationally; the Vision for our utility was

“We are a world-class leader in sustainable water and wastewater service delivery.”

~CORPUD Vision

developed from this need:

Where Will Our Vision Take Us?

To fulfill our Vision, it is imperative that we incorporate several values.

We will know that the Department is functioning ideally when we are:

- Accountable for our actions as a group and as individuals; to accept responsibility for our duties and for our actions, good or bad. **Accountability** becomes a *core value*.
- Effective, both competently and efficiently accomplish our tasks, whatever they maybe. To repeatedly and reliably complete our jobs and, when necessary, help others to complete theirs. **Effectiveness** becomes a *core value*.
- Empathetic and compassionate to our co-workers and our customers. Through empathy, we understanding and identifying the issues of others; we become better people and better employees; we pause and think before we react and we take the state of mind of our co-workers and customers into account when responding to situations. Empathy is also important as it promotes efforts to foster other organizational values such as equality, fairness, honesty and openness. **Empathy** becomes a *core value*.
- Impartially interacting with all co-workers and customers; to provide the same opportunities to all of our employees without regard to friendship, familiarity and to not discriminate in any manner on the basis of age, disability, sex, race, color, creed, sexual orientation or national origin in our interpersonal interactions; to avoid conflicts of interest and appearance of conflicts of interest; and to apply the Golden Rule: “Do unto others as you would have them do unto you.” **Equality** becomes a *core value*.
- Justly interacting with our employees, our coworkers, customers and vendors; committed to minimizing bias, promoting justice and striving for equitable, repeatable decisions in everyday actions. **Fairness** becomes a *core value*.
- Monetarily responsible with the tools, training and resources placed within our care to efficiently complete tasks within our job duties; to be good stewards of our time; to

eliminate waste and to encourage effectiveness and accountability in ourselves and our co-workers. **Fiscal Responsibility** becomes a *core value*.

- Honest and Open regarding our individual moral character- denoting positive, virtuous characteristics such as: integrity, truthfulness, and straightforwardness; committed to being transparent in our actions and decision making as well as our obligations to accept different points of view, and to consider those viewpoints when reaching decisions. **Honesty** and **Openness** become *core values*.
- Knowledgeable about our continued commitment to acquire skills, experience and education; to share our knowledge unselfishly with others and to encourage the pursuit of knowledge in our employees and co-workers to the benefit of our organization. **Knowledge** becomes a *core value*.
- Have pride in the quality of the potable water produced, treated effluent, and process residuals in full compliance with regulatory and reliability requirements and consistent with customer, public health, and ecological needs. **Quality** becomes a *core value*.

Truly successful organizations (public and private) and their employees consider every action from the standpoint of their *core values*. If an action does not fit well with the *core values*, then the organization or its employee should reconsider the action. After fashioning a Vision and defining PUD's *core values*, a new mission statement has been created:

CORPUD Mission:

"To provide safe, sustainable water services for our customers while protecting public health and contributing to the economic, environmental and social vitality of our communities."

The management team believes that our utility is one of the best in North Carolina, with excellent employees who already exemplify our *core values*. After implementation of our Strategic Plan, our utility will be recognized as a world class organization, recognized as such by our peers, our customers and our elected officials. Our organization will look a lot like it does today, but with a stronger structure, a better organization of resources and our workforce will be some of the best trained and highly motivated people in our line of work.

Our employees and our management team will approach all problems from the standpoint of our organizational core values and our management system will be well understood by all employees and used to continuously improve our service delivery. We will use savings from our efficiency efforts to create career ladders for our staff and reward and retain our motivated and agile workforce.

Our Vision and Mission collaboratively form the foundation of our organization: what we do, how we do it, what kind of organization we want to be, and how we see ourselves. Upon this foundation, our management team developed the eight areas of improvement detailed on pages 25-32.

Where has change occurred?

Our Department is changing even as we speak, and these early activities outlined below can provide a good example of what we may expect as we implement our Strategic Plan. An excellent example is the re-organization and improved efficiency of the Meters Division. With the completion of the Automatic Meter Reading (AMR) program and the installation of the new Customer Care and Billing (CCB) software, it became apparent that the Meters Division was in need of a re-evaluation of its structure, organization, size and mission.

The Meters Division was originally organized around three major programs (Large Meter Maintenance, Small Meter Maintenance, and Meter Reading) and it initially contained approximately 83 positions; three Assistant Superintendents, and a substantial number of vehicles. In addition, some tasks and services provided by the Meters Division were duplicated in the Utility Billing Field Staff⁸, so these staff members were then moved from the Finance Department to Meters.

Working with an outside consultant, the senior management team compared and contrasted the structure and mission of the Meters Division with a number of similar programs in other utilities around the nation. The result was a series of suggested improvements and efficiency gains. A new management team within the Meters Division reviewed the suggestions and took upon themselves the goal of finding new efficiencies and improvements; as AMR was readily available, it was possible to reduce the number of meter readers. Most positions that were eliminated were part of the time-on-task system. Time-on-task referred to a system that paid based upon the completed task, not the time that it took to complete that task, and it proved to be a very inefficient service delivery model for the Public Utilities Department. It also often encompassed the lowest paying positions within the Department. Eliminated positions, however, did not necessarily mean workforce reductions, lay-offs or terminations. On the contrary, positions which remained open in other divisions because of budgetary difficulties and the record economic downturn were filled with former meter readers who had opportunities to access higher job classifications, better pay and new career ladders. The results to date are:

⁸ A group of employees within the Finance Department that also completed work orders involving water accounts.

- The merger of the Meters Division and the Utility Billing Field staff, which combined staff members of 83 and 17, respectively;
- A 35% reduction in workforce needed to complete Meters Division tasks (from 100 to 65 full-time positions).
- The reassignment of employees to critical vacancies in Hydrant Maintenance, Cross Connection Control, Sewer Maintenance and Drinking Water Quality programs. The reassignments often provided promotional opportunities and opened new career ladders for staff;
- Overtime work experienced a 10-fold decrease from approximately \$200,000 to \$20,000 per year; and
- The 25% reduction of the Meters Division/Utility Billing fleet by 20 vehicles and trailers.
- No lay-offs.

A second example of recent change within our Department occurred on January 1, 2012 and it involved the realignment of core water and core wastewater functions under respective Assistant Directors. Prior to the realignment, all treatment plants (water and wastewater) reported to one Assistant Director and all utility field operation functions (water distribution, wastewater collection, meters, warehousing) reported to another. This division between plant and field operations led to breakdowns in communications, with several documented incidents of avoidable communication failures. In an attempt to address this communication issue, all divisions dealing with core potable water functions (water treatment, water distribution, meters) were placed under a single Assistant Director, while all divisions dealing with core wastewater functions (sewer maintenance and collection, wastewater treatment and reuse) were placed under a separate Assistant Director. The warehouse division (also known as Utility Support) was placed under a third Assistant Director whom also oversees administration support. The purpose of the realignment is to facilitate communication between divisions that had similar core functions. The evidence to date seems to indicate that effort has been very successful, opening doors for further reorganization opportunities in the future.

A third example we can spotlight would be the realignment of the Code Enforcement officers and reorganization of code enforcement reporting; a matter where the business practices were analyzed and evaluated by the Code Enforcement Officers themselves. The realignment of core water and wastewater functions that occurred in January provided an opportunity to look at the Code Enforcement program within the Department. The program contains three Code Enforcement Officers, who reported directly to one Assistant Director. The Code Enforcement Officers could receive service requests from as many as 65 people within the Department and external to the Department, including the City Manager's office, the City Council Office and a number of other City Departments. This complex chain of "customers" led to conflicts over

prioritization of Code Enforcement requests, with competing requests from different divisions and a lack of clarity regarding Code Enforcement policies. The new model consisted of a single Code Enforcement Officer assigned to an individual division, with monthly meetings between the Division Superintendent and the Code Enforcement Officer to set prioritization of Code Enforcement activities. The results of the new business model include:

- A single point of contact regarding Code Enforcement issues for all divisional staff;
- The division determines priorities regarding code enforcement resources;
- The divisional staff members have a clear idea of the Code Enforcement officer's duties, work load and progress on individual cases; and
- The PUD management has clear metrics to measure the Code Enforcement workload and as such, additional resources volunteered by individual divisions, have been brought to work on Code Enforcement issues.

In each of these examples, organizational inefficiencies were perceived or clearly identified by senior management, middle management or our frontline work force. Teams of subject matter experts (drawn from our workforce) and outside consultants interviewed senior management, middle management or our front line work force. The teams used the interviews to review an existing business process and, where possible, compare that business process to national standards. For our Department, a business process could be the work of an entire division or the day-to-day interaction of a program like the Code Enforcement Program. A business process is how we get our work done and how we provide service to our customers.

Ideas designed to improve our organization were developed and implemented by the teams. The new business processes will then be monitored to see if they truly deliver improved efficiencies. This practice can best be described as *a culture of continuous improvement*, and will represent, for some divisions, a new way of thinking that may result in new ways of completing our work or delivering our services.

There will be many other examples of increased efficiencies and processes which streamline our business process. Additional examples will be featured in a quarterly newsletter titled *Our Water, Our Future*.

HOW Will Change Take Place?

To reach these goals and to implement the action items of the Strategic Plan, our workforce must be ready for this change.

Organizationally, we must be willing to explore opportunities to find new efficiencies; this will mean change and we must foster and encourage the ability to change. To build momentum for change, we need to continuously reinforce the necessity of change so that we may become the best Public Utilities Department in the world; securing the support of our customers, our City Council members, and our fellow employees.

How will change happen?

Although our Strategic Plan identifies eight areas for development that we will collectively seek to improve. These areas are listed below in alphabetical order, with their goals, objectives and action items listed in the charts on pages 25-32.

1. **Customer Service.** Identified as one of the City Manager’s key priorities, customer service emphasizes customer satisfaction and our ability as a department to provide reliable, responsive, and affordable services; all in line with explicit, customer-accepted service levels. The goals, objectives and action items for **Customer Service** are listed in on page 25.
2. **Employee Leadership and Development** is our effort to recruit, develop and retain a competent, motivated and agile workforce. When our management team reviewed the attributes of Effective Utility Management, there was a universal recognition of the need to reward our employees for efforts to implement the Strategic Plan. We see our employees as our most valuable resource and express a desire to invest in that resource. The goals, objectives and action items for **Employee Leadership and Development** are listed in on page 26.
3. **Environmental Stewardship** is best defined as our efforts to protect and preserve natural resources by meeting and exceeding regulatory compliance goals, to providing environmental education and implementing sustainable best practices. Our Strategic Plan acknowledges the fundamental nature of **Environmental Stewardship** in the day-to-day provision of water and wastewater service, and in our efforts to promote community sustainability. The goals, objectives and action items for **Environmental Stewardship** are listed in on page 27.
4. **Financial Viability.** We effectively operate our utility as an enterprise or business and, like any good business, we must establish a financial structure that provides full cost recovery,

truth in billing, and invests to meet the needs of future generations. The goals, objectives and action items for **Financial Viability** are listed in on page 28.

5. **Organizational Optimization** is the process of channeling transition and change-efforts towards continuous self-improvement. Additionally, this area will need to be developed so that other areas may meet their full potential so we can identify any savings that can be used to fund new employee leadership and development programs and to minimize necessary rate increases. The goals, objectives and action items for **Organizational Optimization** are listed in on page 29.
6. **Reliability** of the infrastructure we use to provide water, wastewater and reuse services. Although much of that infrastructure is relatively new, the City has significant amounts of underground water and wastewater lines that are over 65 years old and many components in our water and wastewater treatment facilities are nearing the end of their useful life cycle. In addition, we need to better understand the conditions and needs of our infrastructure. The goals, objectives and action items for **Reliability** are listed in on page 30.
7. **Resource Management** is defined as the practice of conserving existing resources and developing new ones in response to ever-changing climate and growth needs. The goals, objectives and action items for **Resource Management** are listed in on page 31.
8. **Stakeholder Outreach** encompasses the effort to gain support for our Strategic Planning activities and implementation, from all whom are involved. The goals, objectives and action items for **Stakeholder Outreach** are listed in on page 32.

Eight Areas of Development: Goals, Objectives and Action items:

This section focuses on the particular details of the eight areas of development which were highlighted by the management team, and hold the focus of this Strategic Plan. You will find below that each area is listed along with it’s definition, goals, objectives, and action items. This information is provided to assist each PUD employee in implementing this plan, and identifying topics which need champions.

Customer Service: To respond and meet the needs of our customers in a timely and effective manner.	
OBJECTIVE: CUSTOMER SERVICE (CS)	ACTION ITEMS
#1: <i>Establish acceptable levels of customer service</i>	CS: 1.1: Identify customer service needs through Community Action Committees (CAC) meetings, surveys, polls, focus groups. (Ties to ES 2.1)
	CS: 1.2: Quantify baseline of service levels currently provided
	CS: 1.3: Choose/establish appropriate customer service levels, based on findings (bundled with ES 2.1 & ES 2.2)
#2: <i>Provide staff the necessary resource to meet/exceed customer expectation</i>	CS: 2.1: Perform gap analysis of current resources relative to service level goals (Combine with CS 2.2)
	CS: 2.2: Develop an action plan to close identified gap(s)
	CS: 2.3: Examine need for PUD-specific or centralized call center and call-handling process
#3: <i>Align staff performance goals to customer satisfaction goal</i>	CS: 3.1: Establish method for ongoing measurement of (service level) satisfaction (Combined with 3.2)
	CS: 3.2: Establish method for linking employee performance to customer satisfaction levels

Employee & Leadership Development: Recruit, develop and retain a competent, motivated and agile workforce while retaining institutional knowledge.

OBJECTIVE: EMPLOYEE & LEADERSHIP DEVELOPMENT (ELD)	ACTION ITEMS
<p><i>#1: Align employee development with organizational needs</i></p>	<p>ELD: 1.1: Perform gap analysis of staff and skill needs within CORPUD</p>
	<p>ELD: 1.2: Incorporate outputs from the organizational gap analysis into individual employee development plans</p>
	<p>ELD: 1.3: Develop structure for continually aligning CORPUD business strategies to identified employee needs.</p>
<p><i>#2: Retain skilled and motivated workforce</i></p>	<p>ELD: 2.1: Evaluate salary and compensation structure</p>
	<p>ELD: 2.2: Create incentive/certification plan</p>
	<p>ELD: 2.3: Establish plan for consistently developing goals for each employee and annually tying them to performance evaluation.</p>
<p><i>#3: Recruit a highly skilled workforce</i></p>	<p>ELD: 3.1: Develop recruitment plan in partnership with HR, based upon PUD staffing assessment needs</p>
<p><i>#4: Capture and retain institutional knowledge</i></p>	<p>ELD: 4.1: Perform analysis of CORPUD attrition and areas of knowledge loss</p>
	<p>ELD: 4.2: Develop a plan for capturing and retaining institutional knowledge, with a priority given to identified areas of concern</p>

Environmental Stewardship: To protect and preserve natural resources by meeting or exceeding regulatory compliance goals, providing environmental education and implementing sustainable best practices.

OBJECTIVE: ENVIRONMENTAL STEWARDSHIP (ES)	ACTION ITEMS
<i>#1: Insure future regulatory compliance</i>	<p>ES-1.1: Identify future regulatory requirements</p> <p>ES-1.2: Compare actual performance to future requirements (gap analysis)</p> <p>ES-1.3: Communicate gaps and seek input from stakeholders</p> <p>ES-1.4: Implement plan of action to meet future requirements</p>
<i>#2: Minimize gaps between acceptable levels of stewardship, as defined by our community and performance</i>	<p>ES-2.1: Determine acceptable levels of environmental stewardship, above and beyond regulatory compliance, from stakeholders</p> <p>ES-2.2: Determine current performance and compare to acceptable levels</p> <p>ES-2.3: Develop plan to close identified gaps between current performance and acceptable levels.</p>
<i>#3: Evaluate sustainable practices</i>	<p>ES-3.1: Evaluate fleet usage for efficiency improvements</p> <p>ES-3.2: Conduct water system real-time energy efficiency study</p> <p>ES-3.3: Update Biosolids master Plan</p> <p>ES-3.4: Participate in Cost Effective Analysis Process (CEAP) development (overlap with Greenhouse Gas, GHG, study and tie efforts to attach future regulation; diverse energy portfolio)</p> <p>ES-3.5: Evaluate renewable energy for feasibility</p>

Financial Variability: *Establish a financial structure that provides a full cost recovery, truth in billing, and invests in the needs of future generations while meeting community expectations.*

OBJECTIVE: FINANCIAL VARIABILITY (FV)	ACTION ITEMS
<p>#1: <i>Five year operating budget; maintain a balance between long-term debt, asset value, O & M, and operating revenues</i></p>	<p>FV: 1.1: Address the objectives of the Financial Planning and Policy Guiding Principle</p>
	<p>FV: 1.2: Present and obtain approval for the budget from the City Council annually</p>
<p>#2: <i>Ensure fairness and equity for customers and merger partners</i></p>	<p>FV: 2.1: Review and update options from the Customer Assistance Program (CAP) to provide financial assistance to low-income customers</p>
	<p>FV: 2.2: Communicate the idea of “Truth in Billing” to both employees and customers</p>
	<p>FV: 2.3: Ensure that decisions and practices of the Department have symmetrical equity among the City and its merger partners</p>
<p>#3: <i>Obtain and maintain “AAA” bond ratings</i></p>	<p>FV: 3.1: Fund future projects with pay-as-you-go (replacement) versus bonds (expansion or new)</p>
	<p>FV: 3.2: Develop project specific reserve policies and incorporate legal advice on protecting infrastructure replacement reserve funds</p>
	<p>FV: 3.3: Create cost benefit analysis template to evaluate water conservation and efficiency programs</p>
	<p>FV: 3.4: Develop capital improvement prioritization process</p>

Operational Optimization: To provide cost effective and efficient services, with minimum interruptions, in a way that accommodates growth and changes in the industry.

OBJECTIVE: OPERATIONAL OPTIMIZATION (OP)	ACTION ITEMS
#1: <i>Assess critical business processes</i>	OP 1.1: Prioritize and map business processes to identify areas for improved efficiencies
#2: Benchmark CORPUD against like utilities to determine areas for improvement	OP 2.1: Benchmark CORPUD against like utilities of similar characteristics OP 2.2: Adopt performance measures to address identified areas of improvement
#3: Structure CORPUD for optimization efficiency	OP 3.1: Study various governance models that may be appropriate for the management of the water utility OP 3.2: Structure organization based upon business processes, customer service, and staffing skill assessments
#4: Extend management system framework to those departmental programs that are responsible for public Health, Water Quality, Water reclamation and future projects	OP 4.1: Commit resources (\$\$\$) OP 4.2: Assign an action team to create and implement a Management System OP 4.3: Develop framework for change OP 4.4: Communicate Plan

Reliability: To develop a sustainable asset management program to provide continuous service and reduce system vulnerability

OBJECTIVE: RELIABILITY (R)	ACTION ITEMS
<i>#1: Prepare for catastrophic events</i>	R 1.1: Update vulnerability assessments
	R 1.2: Update mutual aid agreements with neighboring utilities
	R 1.3: To complete emergency interconnect agreements and interconnects
<i>#2: Strategically manage assets</i>	R 2.1: Develop and continually maintain and define a Sustainable Infrastructure Program (SIP) to improve the resiliency of facilities and infrastructure
	R 2.2: Forecast infrastructure replacement needs over a ten (or more) year period along with the requisite financial funding
	R 2.1: Reinstate vital maintenance programs dropped or reduced to budget cut

Resource Management: *To conserve existing resources and develop additional ones in response to ever-changing climate and*

growth needs.

OBJECTIVES: RESOURCE MANAGEMENT (RM)	ACTION ITEMS
<p><i>#1: Recognize and evaluate growth patterns and revisit planning assumptions to ensure resource availability</i></p>	<p>RM 1.1: Conduct a comprehensive water audit consistent AWWA standards on an annual basis</p>
	<p>RM 1.2: Update/develop water supply plan</p>
	<p>RM 1.3: Report water supply plan in the annual report to the City Council</p>
	<p>RM 1.4: Develop and update annually a comprehensive water resources assessment and plan</p>
	<p>RM 1.5: Complete with updates, the potential plan for utilization of reuse water.</p>
<p><i>#2: Encourage prudent consumption of water resources across all customers groups</i></p>	<p>RM 2.1: Evaluate Water Shortage and Response Plan (WSRP)</p>
	<p>RM 2.2: Develop a five and ten year goal for reduction of per capita usage in collaboration with community stakeholders</p>
	<p>RM 2.3: Evaluate and update conservation education programs: online technical information, educational literature and water auditing</p>
	<p>RM 2.4: Evaluate and consider expanding existing water efficiency incentive programs</p>

Stakeholder Outreach: To broaden public awareness and support of CORPUD’s stand on issues.

OBJECTIVES: STAKEHOLDER OUTREACH (SO)	ACTION ITEMS
#1: <i>Establish ongoing partnerships with the City Council</i>	SO 1.1: Conduct an annual workshop with the City Council to review strategic, operational and financial plans of the water utility
#2: <i>Effectively increase key stakeholder partnerships with CORPUD on Public Utility issues and initiatives</i>	SO 2.1: Establish communication plan for external stakeholders
	SO 2.2: Develop methods to identify and monitor stakeholder group concerns and issues
	SO 2.3: Undertake a program to improve public education
#3: <i>Improve internal communication with employees</i>	SO 3.1: Establish PUD employee communication plan
	SO 3.2: Develop methods to identify and monitor employee concerns and issues

How will the Strategic Plan affect you?

The answer to this question may prove to be different for each employee; for some, there may be only minor changes in the work they do from day to day; for others, a new business process may completely change their work type and work location. An example from the Meters Division may be referenced: Former Meter Readers or Meter Maintenance Mechanics now have been re-tasked and re-trained to undertake fire hydrant repair and backflow prevention in the cross connection control program.

While we may not be able to specifically say what will change for each individual employee, we can say that:

- Although job duties may change, we are committed to retaining all employees... there are no “force reductions” or “lay-offs” planned or anticipated. If we end up having less positions overall, it will be happen through natural attrition.
- There is a possibility that we will see our workforce grow as we continue to carry a 12 to 14 percent vacancy rate in some critical maintenance areas. Opportunities for cross training and career ladders will provide new promotional opportunities for our staff.

How will individuals benefit from change?

The Strategic Plan cannot succeed without the active participation and support from all levels within the Public Utilities Department. The management team, which includes all division superintendents and assistant superintendents, identified employee leadership and development as one of the single most important Strategic Plan goals. Our Strategic Plan cannot succeed without the support of our employees. The actions items under this Plan include aligning our employee development needs with our organization needs, reevaluating the salary and compensation structure, creating incentive and certification plans that consistently develop goals for each employee and annually tying them to performance evaluation.

We should reward our employees who make our organization more efficient, and who improve their skills and education for the benefit of the Department.

How are individuals vital for change?

Each employee will need to internalize the goals of the Strategic Plan, adopt them as personal goals and seek ways to implement the Strategic Plan in their own work space.

A *Change Agent* is someone who knows and understands the dynamics that facilitate or hinder change. Within Public Utilities, change agents define, research, plan, build support, and partner with others to create change. They have the courage and the willingness to do what is best for the Department. Change Agents are the official and unofficial leaders of our divisions, programs and work teams.

We must identify our change agents and use those employees to facilitate our Strategic Plan, to lead our Department to its successful implementation.

How is communication a necessity for change?

Communication is imperative for the success of any Strategic Plan. No plan, no matter how well developed and prepared, can achieve success if our staff do not know about it or how to implement it. A component of this Plan, therefore, is a comprehensive communications element which will outline specifically how these changes will be communicated.

How will struggles and hardships be communicated and set at ease?

Change may be hard; however, those whom become used to change are often more efficient in the workplace and better equipped to deal with the challenges of today's environment. It is actually natural to resist change, especially if change is perceived to be detrimental to the employee or the organization. But change is coming, and our organization must become more efficient using the tools described in the communication plan.

We will use employee surveys to determine how ready our organization is for change and will design those surveys to identify areas of hardship and struggles. These issues may come from many directions: policies, habits, day-to-day business practices and even people.

The question we must ask is: *What can minimize these hardship and struggle?* Is there a need for education about the benefits of change? Do employees feel appreciated? Are employees included in the decision making process? Do employees feel that they have: job security, competitive wages and compensation, interesting work, promotional opportunities, and tactful supervisors which give constructive criticism? Whatever the situation, our Strategic Planning process and our management team must be prepared to identify and resolve stresses as they arise. Change will happen, but we need to recognize that change is stressful and it is our job to limit that stress where possible.

How we will communicate change?

This document is an initial effort to begin the task of communicating our Strategic Plan, our Goals, Objectives and Action Items. It will be given to the Director, Assistant Directors, Superintendents, Assistant Superintendents (the Senior Management Team) and change agents identified by that group throughout the organization to use as a template to develop additional information and as script for further communication with all Departmental staff and external stakeholders. Other forms of communication include, but are not limited to:

- Monthly updates
- Employee Focus Groups
- Marlin Communication System
- A Career Builder Program
- An Employee Video Production Team
- “Your Utility Show” employee video
- Mini-documentary Programs
- Public Utilities Global Speakers Bureau
- Other Communication Elements as suggested by staff and stakeholders

WHEN Will Change Occur?

A three year timeframe has been adopted for implementation of the Strategic Plan. Being an organization that is dedicated to continuous improvement, we will always continue to grow; however, the largest changes will occur over the next three years (2012-2014). In time, we should be recognized by our peers (and acknowledge ourselves) as a world-class leader in sustainable water and wastewater service delivery.

Final Thoughts

The concepts and ideas discussed within this Plan will require time to absorb, to understand, to incorporate and to implement. The Strategic Plan will ultimately become the road map to our future, taking us where we want and need to go. Our challenges are many, but we are fortunate to have our excellent workforce and a long track record of outstanding public service. Thank you for all of our accomplishments to date, and for helping us carry this Plan into the future.

Appendix I: Key Action Items

WHY:

- Assign staff to create a power point presentation on the importance of a Strategic Plan; and
- Assign staff to create a Marlin presentation on the importance of a Strategic Plan;

WHERE:

- Assign staff to ensure the printing and distribution of quick reference cards for all CORPUD staff with our Corporate Vision, Core Values and Mission Statement;
- Assign staff to create multiple Marlin presentations on the importance of Corporate Visions, Core Values and Mission Statements, each of the attributes, objectives and action items, updated for the latest news; and
- Assign staff to create a Marlin presentation on the WUTAT, its Guiding Principles and Recommendations to Council.

HOW:

- Assign staff to ensure the printing and distribution of quick reference cards for all CORPUD staff with our Departmental vision, core values and mission statement;
- Assign staff to create multiple Marlin presentations, staff presentations and educational materials on the importance of Departmental vision, core values and mission statement, each of the attributes, objectives and action items, updated for the latest news;
- NOTE that this area has a large potential for additional information. We need to quickly follow up with presentations on “where we are now” for all active attributes and action items.

Appendix II: Communication Efforts Underway

Employee Focus Group: An Employee Focus Group (EFG) is made up of 5-8 employees. It is a diverse team of staff members who speak their minds and who represent a good cross-section of our Department. Within this group the Public Information Manager acts as a facilitator, and one front line manager is assigned as co-facilitator. Many subjects/topics can be examined by an EFG. In November 2011, our first EFG evaluated our current methods of communicating with employees, and tested and explored new ideas, and made suggestions. Additional EFG will evaluate future communication elements, gauge employee understanding and acceptance as well as provide feedback on ways to improve the implementation of the Strategic Plan.

Marlin Electronic Communication Systems/Stations: is a system of 19-monitors throughout our Department delivering content via video. This is a digital signage system provides daily content relevant to Public Utilities (PU) activities. Administered by Public Information Manager Carolyn Dumas, a number of employees/co-administrators will have the opportunity to provide content management at various facility locations, including One Exchange Plaza, E.M. Johnson water treatment plant, D.E. Benton water treatment plant, the Neuse River wastewater treatment plant, the Little Creek wastewater treatment plant, Smith Creek wastewater treatment plant, Wrenn Road wastewater treatment plant, the Lake Woodard Annex, South Raleigh Utility Field Operation Center, the East Raleigh Utility Field Operation Center, Lake Woodard GIS section of Utility Field Operation Center, the Lake Woodard Warehouse, the Lake Woodard Sewer Maintenance section and the Lake Woodard Water Distribution section.

Public Utilities Department Newsletter: Our Water, Our Future is a quarterly newsletter designed to educate citizens regarding water conservation and efficiency issues, and to show the City's level of commitment in water supply planning. It will also serve as an educational tool for customers in our entire service area, informing them of the programs that we offer, informative articles, fun facts and tips that the everyday water user may not know... copies of Our Water, Our Future will appear on the Marlin Electronic Communication Systems. Employees are encouraged to submit articles or article ideas for publishing.

Employee Video Production Team: this is a 4-5 person group of staff volunteers who are called upon when requested and can be released from their normal job duties to undertake special video projects. They will assist the Public Information Manager by completing various

video requests; requests to shoot video archive footage, or to produce informative video segments for viewing on RTN and Marlin Communications System.

Your Utility Show an employee video news program: A Pilot show filmed at RTN studio in October 2011. Topic: An overview of Public Utilities' Department Strategic Communications Plan; hosted by Shelton Darden. The Pilot show ran for approximately 20 minutes as a tool to communicate directly with employees about subjects that matter to them the most. The Director explained the eight attributes of improvement as defined by the Effective Utility Management Principles, and discussed action items specifically in the area of Employee Leadership and Development, Employee Communications, and the restructuring of the divisions within the Department.

Additional Programs Under Consideration:

Career Building Program (proposal under consideration): Employee professional development is one of the areas of improvement that has been identified in our Public Utilities Department's Strategic Plan. This proposal suggests incorporating a Career Builder [Career Exploration Program though mentoring opportunities. An employee interested in increasing their on-the-job knowledge would 'job-shadow' another employee in a higher level position or with a diverse skill base, making themselves more aware/capable/skilled to apply for job promotion opportunities within the Department.

Public Utilities Global Speakers Bureau, PUGSB (proposal under consideration): A PUGSB can be created to provide local, national and global exposure for our senior management team (Director, Assistant Director, Superintendent, and Assistant Superintendent) and to our identified Change Agents. Our senior management team is made up of experienced professionals and successful business leaders knowledgeable in a variety of utility related disciplines. The PUGSB will share their experience as subject matter experts to the business community, utility industry and local communities. The Public Information Manager suggests the development of a PUGSB web page and supply speaker bios, list of subjects/topics of expertise, list association memberships, and contact information. A "request for speaker form" will be available online where interested parties can submit a request for a speaker/event.