

INNOVATION AND EXCELLENCE IN UTILITY LEADERSHIP

Rebuilding and Revitalizing America's Water
Infrastructure - **Starting With Your Utility**

Oregon ACWA March 9, 2016

Oak Lodge
Sanitary
District

Established 1956

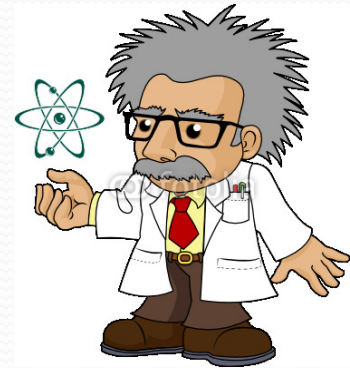
Re-Investing for
**Healthy
Rivers**

INNOVATION AND EXCELLENCE

- Presentation:
 - The Evolution of Water Quality Utilities since 1972
 - Human infrastructure
 - Regulatory framework
 - Technology changes
 - Financing then and now
 - Management Challenges
 - Changing work ethic
 - Customer expectations
 - Asset Management
 - Governance
 - Innovative Leadership
 - What needs to be done differently in 2016

EVOLUTION OF WQ UTILITIES

- Human infrastructure 1972:
 - Unskilled workers in undesirable jobs
 - “Jacks of All Trades” (No Jills yet)
 - Just a job (a dirty job but somebody has to do it)
 - Required command and control management
- Human infrastructure 2016:
 - Focused skills in highly desirable jobs
 - Water quality is a “Calling”
 - An honorable career
 - Requires Inspirational Management



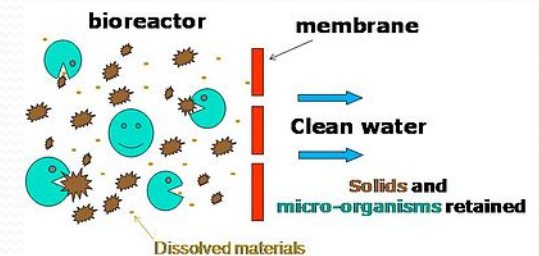
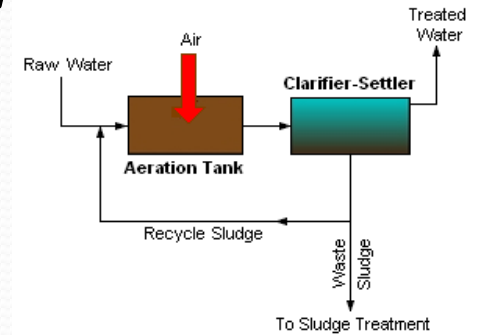
EVOLUTION OF WQ UTILITIES

- Regulatory Framework:
 - CWA 1972 – “Get out the big chunks” (mg/L)
 - 30/30, 85% removal, fecal coliform
 - CSO systems common
 - Regulators invested in utilities’ success
 - 2016 – Toxics and Microcontaminants ($\mu\text{g/L}$)
 - Regulations driving technology
 - Regulators sued to enforce CWA
 - WQ facilities viewed as point source polluters
 - Surface Water Management water quality (MS4)
 - Great success on getting out the “big chunks”



EVOLUTION OF WQ UTILITIES

- Technology Changes:
 - 1972 – Activated sludge is new technology
 - Complete mix systems
 - CSO handled peak flows
 - Sludge disposal rather than biosolids reuse
 - Odors common (environmental equity)
 - 2016 – Customized activated sludge
 - Biological nutrient removal
 - Biological solids reduction
 - Class B moving toward Class A biosolids
 - Must be good neighbors – NO ODORS



EVOLUTION OF WQ UTILITIES

- Water Reuse emerging as a potential supply source



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EVOLUTION OF WQ UTILITIES

- Financing Then and Now:

- 1972 – Construction Grants Program
 - 75% - 87.5% Federal/State grant funding
 - Sewer rates artificially low
 - New regs: Unfunded Mandates



- 2016 – No Grants Available
 - CWSRF with low interest rates
 - General Obligation and Revenue Bonds
 - Ratepayers finance everything and pay debt service
 - Sewer rates become a “cash cow” supporting municipality/county General Fund needs



MANAGEMENT CHALLENGES

- Changing Work Ethic:
 - Employees are in WQ for a career
 - Public service has job security
 - Excellent pay and benefits
 - Recession-proof
 - Younger workers motivate differently
 - They work to finance their personal life
 - Time off is important
 - They need to be inspired to be motivated
 - Command and control does not work



MANAGEMENT CHALLENGES

- Customer Expectations:
 - Customers value water quality and the environment
 - Willing to pay but want a voice in governance
 - Want WQ utilities operated well, as a business
 - Relatively ignorant of WQ infrastructure needs
 - Do not value sanitary sewer and surface water services in comparison with private utilities:
 - Cable, cellular service, internet
 - Assume that public workers are not high performers



MANAGEMENT CHALLENGES

- Asset Management:
 - Public Infrastructure is Aging & Funding Gap Growing
 - “Out of sight, Out of mind” syndrome
 - SSOs, bypasses, effluent violations assumed to be utility failures rather than the result of aging infrastructure
 - Rates do not meet the cost of doing business
 - Depreciation
 - Deferred maintenance
 - Climate change impacts on capacity
 - When does the 5-year storm become the 2-year storm?



MANAGEMENT CHALLENGES

- Governance:

- Layers of Governance Matter

- Special Districts

- Boards elected by customers
 - Single purpose government
 - Shortest distance between customer and service provider

- County Service Districts

- Commissioners elected by taxpayers
 - Multipurpose government
 - Enterprise funds supplementing general funds

- City Sewer Departments

- Blended into city government
 - Enterprise funds supplementing general funds



INNOVATIVE LEADERSHIP

- What do we need to do to effectively LEAD?
 - “... if you don’t know where you’re going any road will take you there”
 - Lyrics from Any Road by George Harrison.
 - “Begin with the End in Mind”
 - Stephen Covey – Habit 2
 - Every utility needs a Strategic Plan
 - Customers know where you’re going
 - Elected officials know where you’re going
 - Employees know where you’re going
 - Everybody is on the same page



INNOVATIVE LEADERSHIP

- Innovative Leaders:
 - Make a Plan and follow the Plan
 - Are flexible and adjust the Plan as needed
 - Inspire their followers
 - Are inclusive and transparent
 - Distribute credit for success, accept responsibility for failures
 - Need Empathy
 - Each employee, elected official, customer is different and requires **Different Motivators**



INNOVATIVE LEADERSHIP

- Innovative Leaders:
 - Anticipate the future and prepare for it
 - Actively market their organization's objectives
 - Build constituencies
 - Never accept “good enough”
 - Understand that we are all in this together
 - Never give up



INNOVATIVE LEADERSHIP

- Meeting the Challenges:
 - Employees:
 - Include them in making the Plan
 - Provide them with the objectives related to their role
 - Expect them to perform and get out of their way
 - Mentor them to grow their capacity
 - Communicate their importance
 - To them
 - To your elected officials
 - To your customers



INNOVATIVE LEADERSHIP

- Meeting the Challenges:
 - Customers:
 - Communicate and market the Plan
 - Educate them on the Value of Water Quality to their lives
 - Make costs understandable - \$1.50/day
 - Invite them into planning and budgeting processes
 - Demonstrate Excellence in everything your utility does
 - Help with community needs beyond your Mission
 - Partner/consolidate with other public entities
 - Turn them into advocates



INNOVATIVE LEADERSHIP

- Meeting the Challenges:
 - Asset Management:
 - Understand conditions and criticalities
 - Develop Master Plans for all facilities
 - Fund Asset Management activities in budgets
 - Communicate the full cost of Asset Management
 - To elected officials
 - To customers
 - Stop deferring maintenance
 - Prepare for the impact of climate change



INNOVATIVE LEADERSHIP

- Meeting the Challenges:
 - Governance:
 - Tell the elected officials what they need to know, not what they want to hear
 - Use your communications with customers to enable them influence elected officials
 - Practice “public engagement” rather than “public relations”
 - Discuss “allocations” and other Enterprise Fund transfers with elected officials. Benefits need to be apparent
 - Over-communicate with elected officials



INNOVATION AND EXCELLENCE

- Innovative Leaders:
 - Understand that their success is directly tied to your success and that they need to invest in your success.
 - Recognize that employees, regulations, technology, and customers all need their active leadership.
 - Plan the Work and Work the Plan.
- Excellence:
 - “You will see it when you believe it” – Wayne Dyer



INNOVATION AND EXCELLENCE

Q&A