

DATE ISSUED: July 28, 2004

REPORT NO. 04-173

ATTENTION: Natural Resources and Culture Committee
Meeting of August 4, 2004

SUBJECT: Water Department Strategic Business Plan

SUMMARY

THIS IS AN INFORMATION ITEM ONLY. NO ACTION IS REQUIRED ON THE PART OF THE COMMITTEE OR THE COUNCIL.

BACKGROUND

In May 2001, as part of the Fiscal Year 2002 Proposed Budget, the City Manager recommended a rate increase to maintain the water system and continue the Capital Improvements Program approved in 1997. During the budget hearing on the proposed rate increase, City Council members raised questions about the management and efficiency of the Water Department (Department) and adopted a motion to defer consideration of rate increases until after a management review of the Department had been conducted.

The City Manager's office hired Black and Veatch in the summer of 2001, following a competitive procurement process, to conduct a thorough review of the Department in order to address the questions and concerns raised by the City Council. The resulting Management Review Study (Management Review), completed in October 2001, rated the Department as an average water utility. The Management Review also made several key recommendations to improve management and operations of the Department. Among these recommendations was the development of an overall strategic business plan clearly setting forth vision, goals and objectives, and action plans for their achievement. On February 18, 2003, City Council authorized hiring EMA, Inc. to assist the Water Department in developing its Strategic Business Plan (SBP).

DISCUSSION

The Department is faced with increasingly complex issues that include raw water supply availability and quality, cost of service, an aging infrastructure and increasing regulations that

constantly change service parameters and costs. While the Department has completed many successful initiatives, and many others are underway to address those issues individually, it needed a strategic business framework to:

- Connect with key stakeholders and align the Department's services so they meet customer needs
- Identify staff needs and industry trends that affect the Department's services
- Establish common priorities within the Department and focus resources on them
- Create Vision and Mission Statements that act as guides for the Department and summarize its direction
- Establish overall business objectives and measure the progress towards those goals

The SBP provides management and staff a single point of reference that demonstrates the linkage of each function and effort in the organization to the Department's overall direction and how progress is measured in each. The SBP is balanced between achieving immediate results and long-term sustainability. The SBP project is composed of the following three distinct phases:

- 1) Pre-Planning
- 2) Business Planning
- 3) Implementation

Pre-Planning

The project began with the gathering of Departmental support, and establishment of a project plan. Department stakeholders were engaged through focus group sessions and individual interviews to identify their issues, concerns, perceptions and expectations of the Department. These stakeholders included:

- Mayor and Council
- Public Utilities Advisory Commission (PUAC)
- City's 10 Delegates to the County Water Authority Board
- The City Manager's Office
- Municipal Employees Association and Local 127
- The Water Department Executive Team (WET)
- City Departments

The Water Department analyzed the industry "landscape" and incorporated the American Water Works Association's MEGATRENDS into its SBP. This study of broad water industry trends, legislation, and public sentiment identifies challenges, opportunities, future service requirements, and public expectations faced by many utilities. The understanding of the major forces driving changes in the water utility industry helped the Department in preparing for future opportunities and obstacles. This analysis, combined with the stakeholder input, resulted in a common strategic vision which allowed the Department to revise its mission statement and develop a vision statement. The Department's new vision is "to be a Best-in-Class water utility for our customers" and its new mission is "to provide San Diego with safe, reliable, cost-effective water and outstanding customer service in an environmentally sensitive manner."

Business Planning

The Water Department conducted a “Gap Analysis” comparing optimal water utilities and industry best practices to the Department’s structure and processes. This helped determine the condition of the Department and get a thorough understanding of its competencies and impediments to success. This will also serve as a baseline from which future results will be compared. More than 115 assessment interviews were conducted by a trained Departmental Self-Assessment Team composed of department employees and two Water Department executives.

The Department also conducted a Strengths, Weaknesses, Opportunities and Threats Analysis to determine the issues most critical to the leaders of the Department. Based on the information provided by the “Gap Analysis” and the industry “landscape” analysis, the Department formulated strategies to address the critical issues that had the greatest opportunities for success with the least amount of risk. Teams of Department managers were identified to sponsor each strategy and develop tactics to implement the strategies. A member of the WET was selected to be accountable for completion of each strategy. Tactics were prioritized to ensure alignment of efforts and resources. Clarifying department priorities is critical to ensure that efforts and opportunities are maximized toward the achievement of the vision.

The SBP went through several iterations with input and feedback from internal and external stakeholders. To ensure that nothing was overlooked, the Department validated its efforts and the SBP through two peer review sessions with a panel of industry experts.

Implementation

On June 21, 2004, the PUAC unanimously approved the SBP and its implementation. The initial implementation of the Strategic Business Plan will begin with its distribution to stakeholders and with its communication to all Water Department employees. The implementation of the strategies and tactics outlined in the SBP is already underway and will continue to require significant ongoing efforts. In order to ensure that these efforts are fruitful, the Department will begin development of a “Balanced Scorecard” performance measurement system which will provide metrics to monitor, measure, and report progress towards the Department’s strategic business goals and objectives. These measures will serve as management tools to ensure that actions and operations remain connected in achievement of goals and objectives.

The Department will also continue its efforts to optimize its business functions to reduce redundancies, improve efficiencies, leverage core competencies and economize. These efforts analyze processes, procedures, practices, policies and organizational alignments to improve service delivery and reallocate resources to other needed areas. The Department will focus these efforts on areas identified by the “Gap” Analysis process. These efforts will help maximize value to customers.

Focusing on enhanced customer service is a key element of the Department’s SBP as evidenced by the revised mission statement’s emphasis on providing “outstanding customer service.” To further focus on the customer, the SBP contains tactics emphasizing improved customer relations. The Department will be developing and implementing a Department-wide process to track, monitor and follow-up on all customer inquiries and service requests. It has initiated the process to replace its current Customer Information System (CIS) used to bill for water and

sewer services. The new system will incorporate Customer Relationship Management principles which focus on all aspects of customer contact and service delivery. Interfaced through a single on-line system, the new CIS will help improve responsiveness and customer satisfaction. The CIS will be capable of providing detailed information ranging from water conservation surveys, potential for recycled water usage, service complaint histories, on-line payment preferences, as well as traditional bill payment and water consumption data. Another tactic the Department is pursuing this fiscal year is developing an enhanced Customer Satisfaction Survey to provide another means for customer feedback. This survey will be designed to generate actionable items to help the Department focus on areas of concern to its customers.

The Department will continue its water industry benchmarking efforts. With the goal to achieve the vision the Department will utilize enhanced performance measures, compare itself to industry leading utilities, empower employees and hold them accountable to achieve best-in-class outcomes. Customers will benefit from a continually improving department striving to be the best utilizing benchmarking.

A Communication Plan as part of the SBP will ensure that department employees and stakeholders are updated on status of SBP. This will ensure that information is disseminated timely and consistently to all interested parties. This will also help ensure that alignment is maintained in the progress towards the achievement of strategic Departmental business goals.

CONCLUSION

With the PUAC approval of the SBP, the Water Department is moving forward with implementation. The SBP establishes a strong framework for the Department to prioritize its needs and activities while linking its many divisions, programs, and projects, both horizontally and vertically into a cohesive organization focused on meeting clearly defined goals and objectives. The systematic use of objective performance measures will ensure that the Department stays on track and fulfills the needs and expectations of customers and other stakeholders.

Respectfully Submitted,

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Approved: Richard Mendes
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BELOCK/JDJ

Attachment: [Water Department Strategic Business Plan Resolution No. PUAC-2004-07](#)