

Tualatin Valley Water District



**BOARD OF COMMISSIONERS
1850 SW 170th AVENUE
BEAVERTON, OR 97006**

**WORK SESSION AGENDA
TUESDAY – AUGUST 7, 2012
6:00 PM – 8:00 PM**

This meeting is accessible to persons with disabilities.
Accommodations including listening devices are available
upon request 48 hours prior to the day of the meeting by
contacting the Executive Assistant, 503-642-1511

1. REVIEW OF DISTRICT INVESTMENT AND DEBT STRATEGIES
2. STRATEGIC PLANNING ANALYSIS - STRENGTHS,
WEAKNESSES, OPPORTUNITIES & THREATS (SWOT)
- 3 ADJOURNMENT

**TUALATIN VALLEY WATER DISTRICT
WORK SESSION AGENDA ITEM**

MEETING DATE: AUGUST 7, 2012

TITLE: REVIEW OF DISTRICT INVESTMENT AND DEBT STRATEGIES

ITEM: Staff will present information on two important financial issues to the board. The first important issue is the district's investment strategies. Staff will discuss the impact that current and future market conditions have on our portfolio and returns.

The second important issue is future requirements to issue long-term debt. The District may enter a period of significant investment in infrastructure to implement its long-term water supply strategy. The use of long-term debt may be a part of the overall financing approach. Staff will discuss the debt issuance process and implications for the District.

STAFF RECOMMENDATION: This is an informational item only

BUDGET IMPACT: None

ADDITIONAL INFORMATION: None

ATTACHMENTS: None

APPROVING MANAGERS INITIAL:

CHIEF EXECUTIVE OFFICER _____		HUMAN RESOURCES	N/A
FIELD OPERATIONS	N/A	INTERGOV. RELATIONS	N/A
FINANCIAL SERVICES _____		CUSTOMER SERVICES	N/A
ENGINEERING SERV.	N/A		

**TUALATIN VALLEY WATER DISTRICT
WORK SESSION AGENDA ITEM**

MEETING DATE: AUGUST 7, 2012

TITLE: STRATEGIC PLANNING SWOT ANALYSIS - STRENGTHS, WEAKNESSES, OPPORTUNITIES & THREATS

ITEM: Last year the District assembled a Strategic Core Team (SCT) to help refine the District's Vision, Mission and Values and to begin to identify and develop work plans for key initiatives. The SCT includes two Commissioners, the CEO, the department managers and coordinators for the District's IT, Safety, Strategic Planning and Risk Management programs.

On June 27, 2012, the SCT met to identify opportunities to consolidate several elements of the District's recent strategic planning efforts, including: Vision, Mission and Values; Industry Trends; Organizational Goals; Targeted Tasks; Performance Measures (for systems); Performance Reviews (for individuals); Capital Improvement Planning; and Budgeting. Much progress has been made in these areas, but there was a bit of overlap and some parallel processes that were ripe for streamlining. The SCT approved an approach that better connects all of the above elements and provides tools and timelines for review and updating each.

One thing that came out of this meeting was the suggestion to do a SWOT (Strengths, Weaknesses, Opportunities and Threats) Analysis of the District, with results of this analysis to be used to help identify goals and desired results at the District level. The SCT completed the SWOT Analysis on July 25th, and a summary of the findings from that meeting is attached.

STAFF RECOMMENDATION: There are no specific recommendations at this time. Staff is requesting the Board's input on the results of the SWOT Analysis, including comments on TVWD's internal strengths and weaknesses, external threats, and opportunities.

BUDGET IMPACT: None at this time. Budget impacts will be developed in the future as work strategies warrant.

ADDITIONAL INFORMATION: Cheryl Welch, Strategic Planning Coordinator, cheryl@tvwd.org or (503) 848-3012, Todd Heidgerken, Manager, OCIR, toddh@tvwd.org or (503) 848-3013

ATTACHMENTS: Summary of July 25th SWOT Analysis

APPROVING MANAGERS' INITIALS:

CHIEF EXECUTIVE OFFICER _____

HUMAN RESOURCES

N/A

FIELD OPERATIONS N/A
FINANCIAL SERVICES N/A
ENGINEERING SERV. N/A

INTERGOV. RELATIONS _____
CUSTOMER SERVICES N/A

TVWD SWOT Analysis

Strategic Planning Core Group 7/25/2012

✓ indicates some of the most pertinent strengths and weaknesses

Strengths:

Water Supply

- ✓ Fiduciary tools in place to provide drinking water per our mission
- ✓ District has secured multiple sources of water
 - We provide reliable, clean drinking water to thousands of people 24/7 (x 2)
 - Good options for water sources are available
 - We still have the time to make and successfully implement good supply decisions
 - We have made good prior investments in water sources (WCSL, JWC, Willamette)
 - Vision and capability for long range water supply planning
 - Second largest water provider in Oregon
 - Can realize some economies of scale due to size
 - Economies of scope exist

Customers

- ✓ High customer satisfaction - goodwill created that could help us in the future
 - Generally respected member of the community
 - Customer base is more affluent than Oregon average, & is diverse (not just one major commercial customer)

External Relationships

- Good reputation
- Recognized leader in the industry; AWWA, ASCE, etc.
 - Influence and recognition disproportionately high for the size of our organization
- Excellent working relationship with most regional partners – especially city of Hillsboro
- Successful inter-governmental partnerships
- Entrepreneurial thinking- willing to provide additional services for our customers as appropriate

Personnel

- ✓ Excellent board – knowledgeable but don't micromanage – good vision for policy matters
- ✓ Excellent management staff – great leadership, knowledge and experience
- ✓ High functioning organization and staff – highly committed, professional, technical, field and office staff
 - Engineers and their ability to plan, design and manage water systems
 - Most staff willing to adopt change
 - Staff knowledge
 - Good succession plan initially for Greg
 - Ability to be innovative and creative with limited bureaucracy
 - Backflow gold program concept ensures maximum compliance with least effort
 - Successful, mature, effective safety program
 - Successful conservation program
 - Successful sustainability program
 - Should be a lot of positions available as retirements increase

Communication

- ✓ We aren't a city, i.e. we have a single focus/purpose
 - Sense of purpose throughout organization
 - Significant progress has been made in breaking down silos

Financial stability

- ✓ Money in the bank / Capital reserves
- ✓ Financial stability-gives us flexibility and opportunities
 - AA+ credit rating
 - Good financial planning, procedures in place

Assets

- We're starting to do something about asset management (condition assessments, cathodic protection)
- Updated water system engineering and construction standards
- Planning now for the 'big things' that are out there

Weaknesses:

Technology

- ✓ Significantly behind the maturity curve on major IT issues
 - Attempting to “make up for lost time” on major IT initiatives (GIS, CMMS, communications, CIS, FIS, document management) – TVWD’s IT has not kept up with technology of needs of the business – and “getting up to speed” will not be cheap or easy – and it’s tempting to “do it all”
- ✓ Legacy of custom in-house developed software (e.g., UB and CC) will likely not meet long-term needs but have cultivated unrealistic expectations for user support – at high cost
 - Until recently, a lack of investment and commitment to technology-enabled asset management (GIS, CMMS, etc)
 - IT is not operating to standards and industry best practices - need to prioritize (PCI, e.g.)
 - History of lack of technology development means we have a long backlog of work which constrains other opportunities
 - Project reporting in LOGOS is weak
 - LOGOS doesn’t fully address financial management needs
 - Reliance on manual business processes
 - Long history of customized business practices

Assets

- ✓ Unclear / undocumented condition of extensive underground assets
 - As-builts and knowledge of in-ground facilities are inadequate
 - Inadequate ability to observe or be aware of all construction projects that may impact pipe (E.g., work near our large lines near Hwy 26 seem to have several other utilities building next to us and we have no input as to location, and no control during construction).
 - Currently have “ad-hoc reporting” for CIP project management and status
 - Poor level of seismic preparedness – both infrastructure and business operations / business continuity
 - Cooper Mt. is currently fed by one set of 40+ yr old pump stations and pipelines of questionable seismic
 - In-house construction doesn’t receive same level of quality assurance inspection as contracted construction
 - Changing practices come with a cost (cathodic protection, pipe installation, etc.) - short term financial hit with hope of long term (60 - 80 yr) payback

Water Supply

- We aren't an owner of key parts of our water system
- Belief that we need to have “complete answers” to key questions such as supply, seismic upgrades, infrastructure asset management, IT systems, etc – risk of analysis paralysis and resulting potential to further
- Don't know our water loss
- JWC governance

Leadership/Strategy

- ✓ Lack of political allies or commonalities for obtaining political allies
 - Lack of effective strategy relating to urban services area - not speaking with one voice
 - Avoidance of hard or controversial decisions
 - Existence of political expediency thinking rather than developing a policy for the long-term good of the District and sticking to it on important issues, specifically, supply
 - CEO transition – perception of weakness by other water providers due to extended duration of leadership transition
 - Small size - some economies of scale not realized, some opportunities not available
 - Insular, due to smaller size - we are the only district like this in the area - no close peer group

Communications

- ✓ Lack of coordination between departments on issues that bridge departments
 - Internal communications - still some silos between departments/crews
 - Some staff learn of TVWD actions from those outside the District instead of from inside
 - Unclear departmental roles or logic in assigning roles to departments
 - Lead department on a project needs to communicate effectively to ALL stakeholders
 - Fuzzy communications...most recent boil water notice for Valley View was on TVWD letterhead, why?
 - Lack of communication with the Board on issues such as follow up to the responsible bidders policy, proposed changes (if any) to recruitment procedures to increase diversity of staff, etc.
 - Inadequate response time in Backflow results in unhappy customers
 - Weak relationships with potential political allies

Staff issues

- ✓ Employees not coached into leadership or other positions in the organization
 - Cross training and mentoring time not available - burden on organization

- ✓ Need to do a better job of outlining expectations, responsibilities and opportunities for staff
- Leadership development among staff not evenly distributed
- Workforce planning process not taken advantage of by employees
- Less likely to have adequate pool of candidates for promotions, etc. due to smaller size - no depth of opportunity for employees
- Lean manpower
- Not going to get a lot bigger in staff size
- Backflow program understaffed, leading to poor response time
- Unaddressed poor staff performance
- Frustration with stagnant environment
- Persistent morale issues
- "Panty hose" type issues or other personnel issues that the Board is unaware of
- Many staff with little outside work experience
- Ego issues

Business practices

- Archives and records are weak and currently not getting adequately addressed
- Lack of filing standards
- Records retention planning and management are weak
- Long history of customized business practices - this is an Opportunity & a Strength, too

Threats:

Environment

- Potential for subduction zone earthquake and land slides – 20% probability in the next 50 years
- Cascadia seismic event
- Local, moderate seismic event (sounds redundant, but Cascadia is on a whole other level)
- Climate change (x2)

Water Supply

- Uncertain future water demands due to future conservation, population growth, water use patterns, climate change
- Water supply in the future if a long term drought hits

Customer Confidence

- Customer confusion and loss of confidence due to actions and problems by other water providers in the region (e.g., E-coli from water providers ☺)
- Customer confusion and loss of confidence due to misinformation by members of public / activists / some cities
- Public perception that TVWD staff are overpaid and/or spend too much time on non-District business
- Anti-government / smaller government movement – we're already lean as compared to most cities but that doesn't provide immunity from pressure for "smaller government"
- We want customers to know who we are, but if we come 'above the radar' we might get attention we don't

External Relationships

- Counties and cities see "special district" as interim solution to be taken over by a city
- Behaviors by partners relating to investments in JWC, ASR, and distribution infrastructure
- Clean Water Services has expressed interest in expanding their role in the region
- Politically, things might happen that are outside our control that could change the model of water delivery and change TVWD's role

Financial stability

- Increasing costs and rates to address supply and aging infrastructure
- Continuing capital requirements beyond just aging infrastructure – such as expansion of highway facilities (e.g., pipeline in US 26)
 - Impacts / relocations necessary
 - Additional expenses not budgeted
- Potential reduction in service area / customer base in Beaverton
- Prices for energy, fuel, electricity, etc.
- Rate fatigue - planning several rate increases in near future - need to communicate value of what they are paying for

Personnel

- Aging workforce / loss of institutional knowledge

Aging workforce is ill-prepared for retirement - more push to keep rates down
Might see credit rating go down due to reduction of affluence of customers

Opportunities

Water Supply

- Make "legacy" decision on water supply – build on strengths of past decisions while building a durable long-term solution that benefits our customers, community and region
- Find other alternatives for existing Portland supply contract and Portland's policies
- Improve water quality by source selection, eliminating mixing zones (with new water source in the Wolf Creek area), enhancement of mixing in tanks
- Improve resiliency through source decision
- Increase TVWD water supply control by source selection
- Explore possibilities of reclaimed water usage

External Relationships

- Improve public image through increased public involvement
- Maintain our external professional relationships

Leadership/Strategy

- Improve planning and investment decision-making thru asset management and maintenance management
- Become outstanding service provider in North Bethany – showcase development – including water supply
- Establish and implement strategies to reduce risks of having assets withdrawn by neighboring utilities by becoming an integral element of regional supply system
- Work on economic development - help bring in more customers
 - Exploit the fact that we offer reliable supply and other advantages to industry
- Develop plan to enhance our relationships with other political allies
- Branding
 - Find ways to lower our cost by utilizing economies of scale, selling our services
 - billing, meter reading, etc. - look at what we have that others don't

Personnel

- Cultivate the culture at TVWD - "brand" employees as well as the organization
- Appoint the next CEO
- Swiftly address issues of low morale, lack of respect and poor performance to improve overall staff attitude
- Complete 360 evaluation process to determine internal areas needing additional work
- Refine workforce development process across the organization to include all interested staff
- Expand training process to include *meaningful* training for all employees, more evenly distributed
- Encourage employees to utilize mentors from outside the organization, as well as within

Business practices

- Improve as-builts and records management
- Improve overall business thru technology - process improvement opportunity thru business analytics
- Technology to drive business effectiveness, not just to keep up - addresses issue of lack of staff
- Leverage emerging technologies
- Look at disaster response across the organization

Communication

- Improve communication between TVWD construction crews and those maintaining records to enable better in-house as-builts
- Improve as-built communication between Contractor, Inspector, TVWD mapping
- Need to get a good idea of what level of service customers want so we know the cost
- Consider agenda meeting with managers a week before board meeting to ensure better communication
- Look for ways to share information between crews who need that from each other