

Tualatin Valley Water District



Delivering the Best Water  Service  Value

Board of Commissioners Retreat

TVWD Board Room
1850 SW 170th Avenue

July 23, 2018 – 10:00 a.m. to 2:30 p.m.

Meeting Summary

Present: Commissioners Bernice Bagnall; Jim Doane, PE; Jim Duggan, PE; Todd Sanders; Dick Schmidt (via phone for a portion of the meeting)

Staff Present: Mark Knudson, PE, Chief Executive Officer; Dave Kraska, PE, Water Supply Program Director; Amy Blue, Human Resources Director; Clark Balfour, General Counsel; Paul Matthews, Chief Financial Officer; Andrew Carlstrom, Customer Service Manager; Carrie Pak, PE, Chief Engineer; Tim Boylan, IT Services Director; Andrea Watson, Communications and Public Affairs Supervisor; Debbie Werner, District Recorder

Other Attendee: Richard Burke

Facilitator: Norm Eder

1. Safety Moment

Mr. Knudson provided the safety moment on how to respond to thunder and lightning when outdoors.

2. Overview of Agenda and Expectations

Mr. Eder set the parameters for the retreat discussion, encouraging the Board to identify three or four priorities for the next 18 months.

3. What should the public expect of the TVWD Board? How do you describe your obligation to the public?

Mr. Eder posed these questions to the Commissioners and Mr. Burke. Comments included:

- The Board needs to exercise restraint to best use customer money and keep rates as low as possible as well as continue to focus on efforts that support the District's mission.
- The Board needs to provide leadership and oversight for the most reliable water system in the region.
- The Board needs to listen, set a vision for staff that includes the long-term best interests for the community and put policies in place that allow customers to take their water service for granted.

- The District is on its way to becoming the second largest seller of water in the state, which could enhance its role in regional economic development and create unique legislative interests.
- The Board needs to maintain the existing positive culture as well as make well-vetted and thoughtful decisions.

4. What is our collective strategic policy vision for TVWD?

Mr. Knudson described the major changes during the last six years:

- An almost completely new Management Team
- The commitment to the Willamette River as a water source
- A new Chief Executive Officer providing a higher level of staff accountability and data driven decisions
- Department reorganizations
- Increased Board involvement and feedback on topics in work sessions

Commissioners and Mr. Burke acknowledged and expressed appreciation for:

- The strategic focus and forward-thinking decisions Mr. Knudson has cultivated; they expressed desire that those continue
- Mr. Balfour's institutional knowledge given his experience with the District
- The District has learned to be an open-minded and receptive partner to other organizations.
- How leadership, vision and initiative morphed at the District as compared to other organizations
- Communication channels within the District and the stability of the Board have vastly improved.

Mr. Eder asked the Board and Mr. Burke what one thing from the past they never want to do again or to identify a missed opportunity. Feedback included:

- Considering a merger with Clackamas River Water
- Considering taking over Portland General Electric
- Allowing small interest groups who are not customers of the District to put the organization in a reactive mode; however, those efforts made the Board and staff develop well thought out and defensible reasons for decisions
- Not being more forceful in pursuing a service area intergovernmental agreement when the City of Beaverton wanted to build a duplicative water line to serve the 45 Central development
- Allowing a prior CEO to pursue other simultaneous professional interests

Mr. Eder asked what the Board and Mr. Burke see on the horizon in 10 years. Feedback included:

- Anticipating intense competition for resources amongst organizations, even with partners
- A salaried Board would professionalize the role and encourage a greater depth of involvement as the political landscape gets more complex.

- It is important to consider the District’s expanding role in the region and need to exercise fiscal responsibility while successfully delivering the projects the District has committed to complete.
- We should communicate with citizens in areas of intense residential development to inform customers of the District’s efforts and the reasons behind them.

Mr. Eder asked what “competitive value” looks like in the future. Feedback included:

- Value-based decision-making builds confidence within the Board, staff and the public.
- It includes strategic thinking
- A business case when making fiscal decisions is vitally important.
- The Board needs more high level financial information and to leave detailed administration to staff.
- A business case should be presented to the Board for large, new expenditures.

Mr. Eder asked the Board and Mr. Burke to describe the District’s customer environment and the Board’s resulting thought leadership. Feedback included:

- There has been a huge evolution in the demographics of the District’s customer base including immigration from other parts of the country and generational changes, which necessitates communication to provide awareness of District initiatives.
- There are pockets of less affluent customers but the the bulk of the customer base can afford their water bill.
- Customers expect a continued high degree of customer service.
- The District has listened to customer feedback and changed operations, citing the replacement of the payment provider system and the adoption of credit card payments.
- There will be a tipping point with customer attitude regarding successive rate increases despite acceptance of the reasons behind those increases; the Board will be placed under pressure to discontinue the cost of service pricing model and needs to stand firm.
- Customer concerns about the District’s bills are amplified by being Clean Water Services’ billing provider.
- Rates and affordability will continue to be an important strategic issue in the future.

Mr. Eder asked the Board and Mr. Burke to discuss regional relationships. Feedback included:

- There are strained relationships with certain organizations; the addition of right-of-way fees by many organizations reflects less regional thinking.
- Handshake agreements of the past were somewhat vague, but the spirit of cooperation was there.
- Increased competition for resources is shaping the relational landscape.

Mr. Eder asked if there are policy decisions related to these relationships. Feedback included:

- The District can no longer assume its reputation will speak for itself, but that it needs to be proactive in communicating value.
- There needs to be awareness of shared interests in pursuing opportunities.

- A goal should be universal recognition of the District by its customers and acknowledgement that it is the best water provider.

Mr. Eder said this includes knowing what our own interests are in the region and then pursuing them within the context of what other jurisdictions are doing.

Mr. Eder asked how the District should position itself given the technology-driven nature of business; if the Board sees a plan for communication technology integration as a priority and if they are interested in making the policy level versus the detailed decisions. Feedback included:

- Staff has been given the license to keep the District on the forefront of mindful technology use.
- The Board has given staff leeway to do what is necessary to continue operations and that the District is likely in the top 5% in innovation.

5. Communications

Mr. Eder focused the conversation on communications technology. Feedback included:

- Expanding the District's social media presence as more proactive communicators will be essential as the organization grows
- The District has had good success in using Nextdoor.
- It is important to communicate in different ways since some customers are technology-averse.

Mr. Eder asked the Board and Mr. Burke what customers expect of the District regarding communication. Feedback included:

- It is important the District be authentic in communication with admittance of any mistakes made and corrections implemented.
- Customers are going to expect the District to provide the method of communication they are comfortable with and prefer.
- Ideally, there would be universal awareness from customers that the District is their water provider and that they are satisfied with that service.
- The District should be seen as an entity aiding the community and charting its future course.
- The Board should provide high, but also realistic, expectations.

Mr. Eder said these items would be goals for the communications strategy.

Mr. Eder asked what the Board's role should be in implementing the communications strategy. Feedback included:

- The Board needs to increase its level of engagement and equip itself to serve as public ambassadors; Commissioners may need training on giving presentations and have the ability to dedicate the time to be engaged on a sustained basis.

- Three Commissioners noted they would need to know what communication venues would present the most value.
- Involvement with the Ridgewood project neighborhood meetings as a great example of how the Board can stay engaged
- Providing the Commissioners with a schedule or assignments for engagement with the public would provide important strategic benefits.

Mr. Eder asked how well the District is using advisory committees. Feedback included:

- The Rate Advisory Committee highlighted how it's easy for the Board to amplify issues that may not be the biggest issue to customers. Advisory committees also offset groupthink.
- It was suggested the District have more advisory committees, and that they serve as ways to educate community members.
- It was further suggested minimizing standing committees to avoid hijacking by people with agendas; temporary advisory committees reduce that risk.
- Customer involvement can be gleaned through focus groups like the one that Customer Service arranged during the payment provider system transition project.

Mr. Knudson suggested that when opportunities are identified for generating customer engagement, staff could present the idea to the Board for discussion in a work session.

6. Lunch Break

7. 2019-21 Budget Process

Mr. Eder asked the Board and Mr. Burke what the District has done well and not well in the past. Feedback included:

- Staff does an excellent job providing information, and the Budget Committee does a good job bringing forward thoughtful comments and questions.
- Improvements could be made in presenting the information in terms that a layperson can understand.
- Staff has made strides in not providing too much budgetary minutiae in presentations.
- There should be greater clarity about information and background that supports the budget but is not being adopted (e.g., the financial forecast).
- During the last two Budget Committee meetings, there has been an improvement in staff providing more information summaries and clarity regarding the Capital Improvement Plan (CIP).

Mr. Eder asked for ways to improve the process or increase the demonstration of fiscal responsibility. Suggestions included:

- A greater explanation on what goes into the creation of the budget
- A summary of key drivers for the budget as well as explanation on what transfers versus spending means

- A summary highlighting what affects TVWD rates and cost-saving measures taken in the prior year when presenting budget information to the public (e.g., a one-page handout)
- The Board should personally engage customers earlier in the budget process to allow more meaningful conversations around rates.
- Communicate about audit awards we have received previously
- The rate communication strategy prior to the last rate hearing would be a model for future rate processes; it allowed for a greater depth of communication and understanding than is available in a formal rate hearing.

Mr. Knudson confirmed with the Board that they do not want staff to prepare a proposal with a set percentage of cuts as part of the upcoming budget process. He said that he can bring forward a list of budget requests from staff that do not make it to the proposed budget.

Mr. Eder asked if the Board and Mr. Burke had any specific concerns regarding the CIP and Willamette Water Supply Program (WWSP). Feedback included:

- The overall CIP should not be overshadowed by WWSP construction.

8. Creating Leadership Legacies

Mr. Eder asked if and how the District should create leadership legacies. Suggestions included:

- Members of advisory committees can be offered opportunities for development such as conference or training attendance that may lead to more knowledgeable future community leaders, whether on the Board or otherwise.
- There is a need to establish a Board culture of consistency and protecting customers' interests.
- Keep in mind how powerful it is to directly ask engaged customers to consider running for a Board position.
- Directly ask Budget Committee members to attend Board meetings
- A work session would be great setting to encourage attendance since there is greater discussion on bigger topics.

Mr. Burke advocated consideration of compensation for Commissioners in the future, with the Board setting salaries for future Board members rather than themselves. Mr. Balfour and Mr. Knudson pointed out there would need to be a statutory change to allow for a salaried Board. Commissioners were not interested in exploring such a change in the current climate, but the concept may need to be revisited as the face of the organization changes once the Willamette River supply is online.

9. Break

10. Leadership Transition and Succession

Mr. Knudson said Public Employee Retirement System reform, possible in the 2019 legislative session, could have repercussions on the District, especially regarding leadership staff. He encouraged the Board to develop a plan, especially since steady and consistent leadership of the District will be important when the District seeks a bond rating. Feedback included:

- The District is at a crucial point in developing its own water source, developing such a plan for staff would be defensible given the leadership stability and continuity that would be needed.
- Parameters for a leadership succession plan should be established.
- Creative ideas for leadership succession should be extended to all staff that may be affected.
- Further research is appropriate; staff should reach out to other organizations who are wrestling with similar concerns and see what other plans are already available to study. The City of Roseburg was suggested as a possible resource.

Mr. Knudson suggested the Board appoint two Commissioners to serve on a succession planning subcommittee who would meet with him, the Human Resources Director and General Counsel to determine a path forward. He will have conversations with senior staff and schedule a future discussion with the Board.

Mr. Eder pointed out a senior staffer at the City of Hillsboro will retire in 2019, so being mindful of any potential, simultaneous in-house staff transitions would be wise. Everyone needs to keep in mind that any transitional plan, no matter how well thought out, will unsettle staff.

Mr. Knudson said the Board will be able to appoint the subcommittee members at the August 15 Board meeting.

11. Action Items and Wrap Up

Mr. Eder concluded by saying it appears the Board has consensus on its priorities for the next 18 months, which will be reframed by staff in order to clarify next steps.

Mr. Knudson summarized the priorities identified by the Board during the retreat as:

- Rates and affordability
- Regional relationships and maintaining the District's reputation (including regional interests, role in the Willamette, organizational positioning, branding and organizational recognition)
- Communication plan for the Board to engage with the community (e.g., a schedule of suggested community meeting assignments and talking points)
- Enhance the budget process with talking points for the Board and Mr. Knudson, including budget requests that were not approved by management
- Strategy for Board leadership legacy

- Leadership transition plan (including research into other organizations and coordination with a Leadership Planning Committee)

Mr. Knudson will work to develop an action plan to move forward with these Board priorities.

The retreat concluded at 2:51 p.m.

Bernice Bagnall, President

Todd Sanders, Secretary