



City of Madison

Meeting Minutes - Final

BOARD OF WATER COMMISSIONERS

City of Madison
Madison, WI 53703
www.cityofmadison.com

Tuesday, February 20, 2007

4:35 PM

119 E. Olin Avenue

CALL TO ORDER

ROLL CALL

President Mather welcomed new BWC member, George Meyer, to his first official meeting.

Present: Lauren Chare, Priscilla B. Mather, George E. Meyer, Jonathan H. Standridge, Gregory W. Harrington and Thomas Schlenker

PUBLIC COMMENT

Utility Leadworker, Jim McCormick, said he wanted to say thank you to the guys who have been out in the field for the last 20 days because we've had 97 main leaks. He said the guys have been working 12 to 16 hours a day, and even though we are short a leadworker or two, they have been working very hard and deserve a thank you. Percy said she would like to extend the Board's thank you to the employees also.

APPROVAL OF MINUTES

1. Approval of minutes from meeting of January 16, 2007.

January 16, 2006 minutes were approved with an amendment to Item 12. Jon Standridge asked for more detail on Dr. Ken Bradbury's presentation and on the discussion of Dane County Groundwater Hydrology Issues. Dave Denig-Chakroff said this is going to be part of the discussion in the Board's planning, what types of minutes the board wants. In the past, Dave said, we've provided almost verbatim minutes and they get quite lengthy at times. He said we looked at other committees throughout the City and we didn't find any committee or board that provided minutes in that type of detail. Dave said it doesn't mean we can't if that is what the Board wants, but there needs to be discussion on that.

INFORMATIONAL REPORTS

2. January Water Quality Report.

Jon asked Joe Grande if we ever get coliform hits in the wells. Al said yes, and Jon asked if they could see a presentation of that sometime to see what the water looks like before they disinfect it. Percy said maybe that should go on the list of things you'd like to see on a future agenda.

3. February Staffing Report.
4. Operations Report.

5. Engineering Report.
6. Customer Service Report.

Lauren Cnare made a motion to accept the informational reports. Jon Standridge seconded; unanimously passed.

FINANCIAL REPORTS

7. Fund Balance Report.
8. Capital Project Report.
9. Update on Rate Case.

Robin Piper said he would be filing the rate case on Wednesday or Thursday (the 21st or 22nd of February). The Public Service Commission's rate application package shows an initial 15% rate increase, and that is what we'll be requesting. We'll work for the next 90 days to revise that based on their cost of service study and revenue requirements. Jon asked if there is any mention of water conservation, changing our rates to promote conservation, and a paragraph saying that the next time we come in, we will be talking about that issue. Robin said there is nothing in there at this point, but we could put it in before we file it. PSC hasn't hired their water conservation coordinator yet, so they will be getting up to speed with the conservation issue. Robin heard that Waukesha filed their rate application last week, and they are looking at conservation rates but don't have any specifics yet. They'll be working with the PSC over the course of their rate case. Greg Harrington asked if Waukesha is the first utility to do this, and Robin said it is. George Meyer asked when the next rate proposal after this one would happen. Robin said we're getting to where it's going to be annual to keep up with capital projects and our spending plans, so we will have to submit one on an annual basis. Robin said he expects the next one will be submitted in early 2008. George said he'd like to see what Waukesha does so we can be prepared to try to integrate some of those concepts into the rate increase for next year. Lauren Cnare said it might be useful for someone from Waukesha to attend a BWC meeting to share the process with us.

ADMINISTRATION

10. Update on Mayor's 10-point Water Quality Initiative and Water Quality Standards.

Dave said there are two items he wanted to point out with respect to the Mayor's 10-point initiative and water quality standards. One item is an upcoming communications training and leadership training. He said we found a very comprehensive communications training program provided by a local communications person, Dan Gunderson of Big Wild. Dave said we are working with him to design a communications training program for the management team, and after that, we'll spread that broader. Another thing Dave is working on is a meeting of area-wide water utility managers to discuss water management issues and start communication among the utilities. He will suggest having regular meetings with all of Dane County's water utilities.

NEW BUSINESS ITEMS

11. Approval of 2007 Chemical Bids.

Al said the suppliers change from year to year. George said he'd like to see a comparison to the previous year to see what the trends are. Al said the calcium hypochlorite is 19.7% higher, the liquid chlorine is .1% lower, and the fluorosilicic acid is 4.2% higher this year.

12. Approval of Resolution to contract for siting of a new well for the Isthmus.

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report as to where we are with expenditures for this contract so we can monitor it. Al said it is significantly more difficult to locate a well in this part of the city. Lauren said she thinks this is money well spent, that it's exactly what people are asking for. They want us to explore every possibility and bringing a consultant on board to do all of those things is money well spent. As we go through the process, we can learn from it. He asked Joe if it is part of his role to conduct an extensive study for the next well site. Percy said she would underscore that, and in terms of public education, we're going to learn so much about siting wells. She asked about the process. and Al said it will be a several step process that we'll start maybe within a quarter or half mile of the existing well. We'll have to look at other wells to see where the interferences lie between existing and proposed wells. Al said his concept is that they will identify some potential sites, and then we'll take the sites to the public and get their feedback. Al said we want to make sure we're drilling the well in the right place so we don't impact the Yahara River or the lakes, etc. It is a very complex process, and in Wisconsin, we've been spoiled. Usually the challenge is finding the property for the well. As Craig and Brad said earlier, we're changing the whole concept of how we site a well with this one.

Jon Standridge made a motion to approve the resolution with George's suggestion of getting periodic reports on the progress. George Meyer seconded; unanimously passed.

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Authorizing the Mayor and City Clerk to execute a Professional Service Agreement with (Consultant to be selected March 9, 2007) for the completion of a site selection, public participation program, and a DNR approved well siting study for a replacement well for the Utility's existing Well 3 (AD 2, 6, 15).

A motion was made by Standridge, seconded by Harrington, to **RECOMMEND TO COUNCIL TO ADOPT UNDER SUSPENSION OF RULES 2.04, 2.05, 2.24, & 2.25 - REPORT OF OFFICER** Jon Standridge moved approval and asked that the Board get periodic reports on the progress of the well siting study. The motion passed by acclamation.

Present: Lauren Cnare, Priscilla B. Mather, George E. Meyer, Jonathan H. Standridge, Gregory W. Harrington and Thomas Schlenker

CORRESPONDENCE AND SPECIAL INTEREST ITEMS

13. Letter to George Meyer from Mayor Cieslewicz appointing him to the Board of Water Commissioners.
14. Retirement Resolution for Anita Hodas.
15. Retirement Resolution for Dale Metcalf.
16. Retirement Resolution for Bob Heinz.

Ken Key said these three retirees represent 106 years of Utility knowledge. George said it would be nice to invite the employees to the meeting. George Meyer made a motion to approve the retirement resolutions. Greg Harrington seconded; unanimously passed.

17. Report on Communications Plan Subcommittee.

Lauren said the committee will be meeting on Thursday, March 8 at 5:00 p.m. An agenda will be issued tomorrow. Lauren said she expects one or two meetings after that. and then we should be able to bring something to the board.

18. Establish an agenda for Special Board Meeting on Board policy, planning and strategy.

Jon said he has a vision of the meeting process and the concept of one item per month in detail, such as the coliform issue. Lauren said we need to develop goals on an annual basis, and incorporate a mission statement and check this annually. Jon said we need update measures, what and how we are doing. Lauren said we need to assess the skills we have on the board. An annual goal setting session would be important. Another issue is the level of involvement by the board and what they want to be part of. Does the board want to get involved in personnel matters, only key issues, or money and at what levels-this needs to be discussed. Lauren said we should talk about expectations for board members at community events, about communication with team, and what routine communication we want. We should talk about board member satisfaction because serving on a board is a huge time commitment, not only the meetings but also phone calls you take as a result of that. Jon asked Lauren to write the ideas down for the facilitator. Dave asked what they want in terms of an agenda. The agenda is to discuss planning policies and strategies for the board. Jon said the facilitator should group these things, and say how long we'll spend on each thing.

Date and time for the special board meeting is March 8 at 5:00 p.m. Jon said he'd be willing to meet for four hours. Lauren asked that it be from 5 to 9 p.m. but no longer than four hours. It was agreed to order pizza for dinner.

George said at the next meeting we have the responsibility of accepting the report, and asked if they are going to be talking about our role. Lauren thought this is included in the mission statement. George said if we're setting long-term direction as a board, we have to correlate it, at least on a broad oversight basis. One thing that would be helpful to him is being able to ask questions of the consultants and he'd like to know there is that kind of access. Dave said the facilitator is from EMA and he will be fairly familiar with this document and has background in this. George wants to know how we fit into this, and how we can interact with the consultants. Lauren said we can call them any time we want to, and Dave said call or submit questions to him and he'll contact the consultants.

APPROVAL OF NEXT MEETING DATE

19. Approval of next Special Board of Water Commissioners Meeting date of March 8, 2007.
20. Approval of next regular meeting date of March 20, 2007.

Discussion was held on starting the meetings at 4:30 rather than 4:35 p.m. The next regular meeting and subsequent regular meetings will begin at 4:30 p.m.

ADJOURNMENT

At 6:32 p.m. Lauren Cnare made a motion to adjourn the meeting. Jon Standridge seconded; unanimously passed.

ADDENDUM

21. Presentation of Strategic Plan by EMA, Inc.

Craig Yokopenic and his co-worker, Brad Jurkovic of EMA presented the Strategic Plan to board members. They said as many people as possible were involved in this project. EMA has done over 420 studies for other utilities across the country. The opportunity gap they calculated for Madison is 11.8%, the percentage of your controllable expenses. The average gap across the country is 23% so this organization is a good organization. This was calculated over and over and they tried to identify, as a public organization, what kind of gap the Utility can live with. There is no way to get to a 0% gap, so we classify a world-class organization as a 7% gap, which really means there is a 5% gap in this organization.

Craig said the areas of weakness are primarily internal and external communication and leadership. The strategic plan is designed to build on the areas of strength and address the areas of weakness. Every Utility employee had an opportunity to participate in the process and offer his or her views. The study included input from the Mayor's Office, Board of Water Commissioners and customers. Areas evaluated were management, organization, communication, work practices and technology. Results were analyzed and incorporated into a strategic plan.

Brad said much of what EMA did was laying groundwork. People from the Utility were involved in the internal process of interviewing other employees. There were two teams, 18 to 20 total, with one group from the Operations and Maintenance section, and the other was from support services such as engineering, customer service, etc. Brad said 95% of the employees were interviewed; normally only 15 to 30% are interviewed. He said there was tremendous response, and EMA had a lot of information to go through. We then developed strategies, supporting recommendations and action and came up with business strategies.

The six key strategies are:

1. Improve organization effectiveness.
2. Enhance customer satisfaction.
3. Strengthen regional economic potential.
4. Leverage technology.
5. Optimize infrastructure performance.
6. Develop sustainable work force.

Craig said their work with other clients confirms that moving to a higher level of

performance will be realized only by involving the majority of management and labor staff throughout the project. The three phased approaches are analyze, redesign and implement. There is a lot more detail in the document that was distributed. EMA listed Strategy 1 as Improve Organizational Effectiveness by identifying goals, objectives, measures and tactics. They recommended forming a steering team to manage organizational improvement. The steering team will define all sub teams. An internal and external communication improvement plan should be developed. Leadership skills throughout the organization need improvement.

Jon asked if the gap means that we need to become 5% or 11.8% more efficient to reach that gold standard of 7. Craig said yes, exactly. Jon said so changing leadership style isn't measured in the gap at all? Craig said there are many recommendations that aren't part of that, such as improving operational practices and using different technologies that aren't really communication issues. Lauren asked if the steering team is a different form of government, and if it will always exist. Craig said the intent is not to replace management. The Utility has to get in a constant improvement mode. Lauren asked how the steering committee is formed, and if it will be permanent. People will go on and off the steering team. The steering committee will help to facilitate and coordinate projects and move the Utility forward. You must be in a continuous improvement mode. You can keep a steering committee; organizations have done that if they have enough ongoing projects.

Craig said they look at this as a systematic approach-you can't pick and choose certain things to move forward; you have to look at the big picture view of the Utility.

Greg said this is the first draft the board has seen. He asked how many drafts there have been prior to this, and who in the organization has seen them at this point? Craig said after the assessment was done, a power point presentation was made for the entire Utility where they talked about all the work that was done in the assessment and identified as many of the recommendation issues as possible. We did work on leadership development, and then the plan was developed.

Greg asked if Craig envisions members of the board participating on some of these steering committees or project teams. Craig replied no, he does not anticipate that the board would actively participate. Neither he nor Brad has seen that in any of the studies they've been involved with. Jon asked if there is any document on the data that was collected, or was this it. Craig said Dave has another document that has quite a bit of detail, so if you have questions you can probably find the answers. He said we tried to get it in a form that makes sense, that it is the data that was used to develop and create the document. George Meyer asked how much of the recommendations come from the employees and how much is EMA's imprint on the plan. Craig said the imprint we put on the plan is more in terms of consolidating information rather than coming up with things out of the blue. In the power point, they distinguished specifically between the recommendations the employees made directly, and the recommendations EMA was making, and tried to reconcile those. George asked if they would say a large percentage of the recommendations came from the employees themselves. Brad said he didn't know. Craig said yes, over 80%. He said they try to do full disclosure through the entire process.

Craig said things that can be done quickly and things that will take more time have been identified. You should start achieving benefits from this very quickly, but he doesn't think you could finish it in less than three years. Brad said they categorized things as quick, intermediate and long-term opportunities. George

asked their recommendation on how this draft, once the board accepts it, should be shared with the employees who have been involved in the process. Dave said he has staff meetings scheduled for tomorrow morning to talk about this plan, what it's about and where we are going from here. He sent everyone a copy of this document electronically. He said we'll probably have follow-up meetings to go over the plan.

Craig said he'd like this to become a living document that you check things off as you complete them. He said this group is not short on ideas and they are going to come up with other things that can be done for improvement.

Dr. Schlenker said he has a problem with the lack of detail in the report. On the first page, a summary statement, it says that areas of weaknesses are primarily internal and external communication and leadership. He doesn't find anywhere that it states what the problems are and what is weak in those areas. He said in the strategy part, the first goal is to improve organizational effectiveness and one recommendation is to improve leadership throughout the organization through coaching. Then EMA gives a plan on coaching and he wants to know what the coaching is going to be about and what problems need to be resolved. Is it leadership at every level, internal, external, too little, too much, is it too autocratic, where is that detail? Craig said at a high level it's an effectiveness issue so we're talking about improving the effectiveness of those activities. To do that, there has to be a systematic approach that is consistently followed. You have to understand how people hear things. Craig, as an engineer, hears things differently than Brad who is not an engineer. You have to understand the message you want to deliver and what mediums you are going to use to deliver them, and how to get them out so they are heard in the proper way. Dr. Schlenker asked how they determined there was a communication problem? Craig said we're looking at, as an organization, what things can be done to move forward and get better. To close the gap, there has to be improvement in communication and leadership. There were a lot of comments that came back saying, "We don't understand what the issues are that we're addressing. We don't really know what we're moving toward." You have to get better at those types of issues. You have to function more and more as a team. Dr. Schlenker asked where the communication gap was bigger-external or internal? Craig said you have had issues communicating with the public such as the wells, the manganese issue, etc. You've had internal issues along the same line. How does the information get to staff? How are decisions made about how we're going to move forward on various initiatives?

Jon said those percentage points didn't measure poor communication activities. They measured how well we deliver water to the customer. It didn't measure if we have disgruntled customers or how our leadership style is so that didn't increase the gap because of communication problems. The gap is just a physical measure of where we can improve delivering water to customers. It has nothing to do with how we communicate with them. Jon asked if that is true. Brad said the gap is an efficiency measurement but is just as dependent upon communication and leadership as it is on the very specific strategies we're looking at to determine that gap. Brad said we looked at eight different aspects of the business of your core operation and maintenance. We looked at 14 different aspects of the way support services are provided. Communication and leadership are interwoven with all eight of those O&M and 14 of those business services and are likely to have many contributors to those opportunities. Lauren asked if it's a composite of many different aspects of the organization, and Brad said absolutely. He said they looked at the core operations and maintenance groups, conducted interviews and did the analysis of the strategies, not as a

whole, but we broke it down to specific areas so we came up with real scores. We can go back and see our areas of opportunity and for what group.

Brad said an organization with an 11% gap is doing well, and we don't need to spend time and money on certain areas; we need to find the areas where focus is needed. He said there are a lot of good things being done here, and their job is to find the areas that need improvement so they can be focused on.

George asked where we find the 8 and 14 factors that were evaluated. Brad said they are in Appendix B and were in the slide presentation. They described what we learned from the interviews and the desk audit and applied them to that. George said he's assuming in those 8 and 14, they identified the real strengths in the organization. Brad said absolutely-there were strategies where we found opportunities and where we found none. There were a number that showed this organization is doing very well. The whole idea, as we move to the next phase, is to use those strengths as leverage to start working on the areas where opportunities exist.

Greg said he read that the Utility will continue to need outside direction. He asked what items direction is needed on, and what the time frame is. Craig said you're talking about moving to a different mode of operation to close this gap. People who have day-to-day jobs won't be able to coordinate that. There will be training. A steering committee should be formed to do the quick wins and start prioritizing. Brad said even if you had infinite resources and money, you couldn't do it immediately because many things we're discussing are cultural and don't change overnight. Getting people to do things differently takes time, practice and repetition. EMA provides a certain amount of leadership and knowledge at the beginning of one of these projects, because we've done so many of them, but our leadership and knowledge trails off over the three to five year period, because we're educating you.

Lauren asked if it will be a bumpy ride or if we'll go through a lull--how does it typically unfold. Craig said we have a lot of people who want to get this done; there is a desire to move forward. Brad said he agrees, the sense he gets from people here is that they want to move forward, but as with many organizations we encounter, this is being looked at by some as flavor of the month. Those kinds of people often end up being the greatest proponent of change, once they see proof that something is actually going to happen. He said we don't want to lose momentum; we need to make quick wins happen. Lauren asked if we are making progress in some areas. Craig said yes, some had already started before we got here.

Jon said when we hired EMA, we had water quality changes in Madison and from his view, it looks like current leadership and current communication styles weren't effectively dealing with the problems we are facing, so we're looking for advice and information on how to get good at this. Jon said we already knew we were pretty good at billing, delivering water, repairing pipes, and designing wells. He'd like to discuss how we can improve communication and leadership, and maybe you've done that. He said looking at Strategy 1 that is pretty general and he's not quite sure what it means. He thinks he is reading that this is a huge change in the way we do business, am I right? Craig said we tried very hard to stay focused on your request for proposal; we tried to stay with that. Craig said our goal was to document the things that are and are not bad, and plan a strategic plan to move you forward as an organization. Craig said if you read this, there are specific recommendations on how you can improve things like communication. You need a systematic approach to achieve results. We're trying to get you to recognize initially that these are the things that need to be done.

Brad said one of the first things we do when helping utilities are the scanning things. Almost all organizations have specifics they want us to look at. We also look at larger issues during the scanning phase, so when we get a number like 11.8% it means the same as anywhere else. Most organizations have an idea of their strength and weaknesses, but they don't know all of them and often don't know to what degree. We serve as editors for the organization with no baggage or history

Jon said he's less interested in the 5% becoming more efficient at delivering our water than the erosion of public trust, saying that one-third of the people of Madison don't trust us. We need to be trusted and have people understand we're doing the right thing and providing quality water. Jon asked what in this document will get us back the public's trust. Brad said all of those things will be contributing factors to achieving goals. Craig said it takes a long time to get trust back. He said a lot of ideas came out in the interview process. Brad said we met one-on-one with the management team here, to get an idea of their strengths and weaknesses and what approach to use for them. Greg said, so are you saying we need to do a strategic plan from a holistic perspective, because if we only target those things that need substantial improvement, we would risk losing sight of the big picture. Craig said that is a fair statement.

George said he's hearing them say that of the 400 utilities you've worked at, from a pure performance standpoint, this is the best one you've looked at. Brad said no, that Craig said from his perspective, and from studies he's been involved in, this was the best he's seen. Of the 425 studies we've done over the past 16 years, the average has been 23% and the worst organization had a 50% gap. The best organization had a 2% gap. The average was 23% so your 11.8% puts you substantially better than that average public utility out there. We're suggesting as you implement strategies to improve performance and close that gap, you want to take those resources and reapply them to the areas where they are needed.

Percy Mather asked about a section under Goal 1 on page 7 that says to clearly define the role of both Management Team and Management Group. She asked what the difference is. Craig said the term we've heard used is the Team is mostly sitting at this table, but that is not all of the people that manage in the Utility. There are supervisors and a lot of other people who manage. Percy said when you talk about continuous improvement, if they are thinking TQM. Craig said AWWA will offer you insight on this. They've looked at where organizations have failed. EMA was involved in the project and he thinks that is the biggest volunteer turn out they ever had as people want to talk about why things failed. They have a lot of good information on how you can apply this continuous improvement model to your utility. It's a different mind set, a different environment. Brad said there is actually certification now for utilities and there are a few utilities that have achieved that. He said he's not a big fan of it because he thinks it was established for a company in Germany so they needed international standards to do it. Certification doesn't mean anything to customers, and from what he has heard, certification turned them into slaves because of the information that has to be generated in order to maintain that certification every year. He thinks it's more valuable to look at the certification and pick the things you want to do to make you a better organization, to close the gap and to get better in the areas that have been identified for improvement and use them in that way. Jon said you are advising that we do want something that's official. Craig said one of the best wastewater organizations that he's ever worked with is in Denver; they have their own internal certification system. They have a plan in place that says we will do these things every year, and if we do

them, we're good for a year. We're talking about getting serious about intent.

Percy asked if they can get copies of Appendix B, and Dave said yes. She said they can look it over for approval at the March meeting. Dave said he'd like to thank the people from EMA and more importantly, all of the employees from the Utility who participated in this. Dave said this document, this study is going to have a tremendous impact on this Utility and the way we move forward, in a year and the long term. He thinks it's an excellent start and there's a lot of work to be done. Dave said he hasn't seen a product of this sort that spells out in specific ways the kind of nitty gritty things we need to do to keep moving forward. Dave said he is totally committed to following through and he wants the Board to know that. He thinks we've got a lot of momentum here and we need to keep it going and get on these recommendations fairly quickly. He said he hopes the Board will have time to look at this and come back in March and give further feedback. He said it won't stop us from starting some of these things right away. We have started some of the initiatives already and have learned a lot just going through the process and a lot of us are thinking a lot differently now than we did four, five, six months ago. As an example, those efforts with respect to communication and working with the neighborhoods and the success of the last neighborhood meeting in the Well 3 area. That is just a great example of how we're communicating differently and how we're leading the organization. That is just one example; we're doing a lot of other things. Percy said we'll be combing this for ideas for our special meeting. Jon asked if they have an idea of the percentage of the total Water Utility work effort it will take to implement this new plan. Dave said no, he doesn't. He said when he looked at it, he thought there's a lot of stuff in here. We need to set up some steering committees so start working on this. It looks like a lot of time-consuming work. Craig said most organizations take 4 to 5 years to accomplish this. Jon said if he's on four teams that meet an hour each week, that 10% of his 40-hour week. Is that a realistic number? Brad said he's never analyzed that to find out what percentage of the time people spend on these activities. He said he doesn't see this as being anything different or separate from what the rest of the work is-this is a part of the job, getting better and delivering the best level of service, the best leadership, the best customer service that you can. Brad said he strongly believes this is just part of the job, a part of what this organization needs to do to meet today's and tomorrow's challenges. Brad says he thinks this organization, over the next years, is going to learn a different way of doing business. Jon asked if this is a tweak to what we are currently doing or a vast change. Craig said it's a tweak to some processes and in some processes, improvement is going to drastically change; it is more than a tweak in how the organization thinks. That's what we want to get to. Some of this is going to be quick wins and you've got an opportunity with technology to change what you're doing. Craig said the harder one is going to be the culture of change. It's a drastic way of thinking differently. Jon said it sounds like the day to day operation changes are tweaks but the culture changes are significant. Brad said he thinks so, if this were a tweak you'd get it done in the next month or so, but it's not a likely scenario. George asked if they recommend using facilitators to help start the team effort off at least. Craig said we strongly recommend that, using facilitators, but not become dependent on them and to learn independent skills. Percy asked if the facilitator for the March meeting could get a copy of these documents. Jon asked if it's on the web site and Dave said not yet but we will make all of this available.