

**MINUTES OF THE
BOARD OF DIRECTORS MEETING OF THE
OTAY WATER DISTRICT
January 27, 2015**

1. The meeting was called to order by President Lopez at 12:10 p.m.

2. ROLL CALL

Directors Present: Croucher, Lopez, Robak, Smith and Thompson

Staff Present: General Manager Mark Watton, Asst. General Counsel Richard Romero, Asst. GM German Alvarez, Chief of Engineering Rod Posada, Chief Financial Officer Joe Beachem, Chief of Information Technology Geoff Stevens, Chief of Operations Pedro Porrás, Asst. Chief of Administration and Information Technology Adolfo Segura, Asst. Chief of Operations Jose Martinez, District Secretary Susan Cruz and others per attached list.

3. PLEDGE OF ALLEGIANCE

4. APPROVAL OF AGENDA

A motion was made by Director Croucher, and seconded by Director Robak and carried with the following vote:

Ayes: Directors Croucher, Lopez, Robak, Smith and Thompson
Noes: None
Abstain: None
Absent: None

to approve the agenda.

5. PUBLIC PARTICIPATION – OPPORTUNITY FOR MEMBERS OF THE PUBLIC TO SPEAK TO THE BOARD ON ANY SUBJECT MATTER WITHIN THE BOARD'S JURISDICTION BUT NOT AN ITEM ON TODAY'S AGENDA

No one wished to be heard.

WORKSHOP

6. DISCUSSION OF FISCAL YEAR 2015 – 2018 STRATEGIC PLAN AND A REVIEW OF STRENGTHS, WEAKNESSES, OPPORTUNITIES AND THREATS [SWOT ANALYSIS]

General Manager Watton indicated that the District's Strategic Plan (or hybrid Business Plan) has been one of the foundational documents from which the District has been operating from in conjunction with the budget. He stated that the Strategic Plan is utilized to develop the budget which is scheduled to be presented at the Board Budget Workshop scheduled in May 2015.

He indicated that the goal for today's Workshop is to receive the Board's feedback on the SWOT Analysis and the Strategic Plan Objectives. He noted that the District has been utilizing the same format for its Strategic Plan for 11 years and it has been successful with the plan. Staff feels that the format still works for the District and it will be the same platform from which the District will work for the next three (3) years.

Chief of Information Technology Geoff Stevens reviewed the District's Mission and Vision statements and indicated that they have not changed (see attached document). He stated that while they could change, they really shouldn't change. He shared that staff did do a couple *wordsmith* changes, but in essence, it has not changed. He also presented the District's Statement of Values and indicated that it did not change as well. He indicated many strategic plans do not include a *Key Challenge*, but the concept behind a *Key Challenge* is as a focusing tool. He read the District's *Key Challenge* statement:

“Our key challenge, as District staff, is to quantify and demonstrate our commitment and ability to optimize our resources, business processes, and technology to achieve the strategic plan goals. We, as a team, commit to regularly assess and document how our decisions and work practices accomplish our goals and objectives.”

He stated that staff is making a commitment to assess its processes periodically and to apply measurements to the District's programs to demonstrate that it is achieving its strategic plan goals. He presented the Balance Scorecard Goals and indicated that it is an inclusive methodology for strategic planning. It provides categories (Customer, Financial, Business Processes, and Learning and Growth) in which the organization then identifies objectives for the categories, which assures that the organization is focused on these issues. The theory is if the organization does a good job in identifying objectives, it will do a good job in planning for the organization.

He stated that SWOT Analysis was a product of the Harvard Business School and was introduced in the 1960's. He indicated that the District has identified its Mission, Vision and Values which sets the direction of the organization. The District then identified its smartest ideas, which are its objectives. The SWOT Analysis is an exercise that looks at pros and cons and determines which objectives are potentially the most beneficial from a strategic perspective. He noted that there is not a one-to-one match intended between the SWOT Analysis and the objectives. It's more of an overview, to assure that things have been

considered. Similar to strategy mapping where the District looks at its management strengths as a base and then moves towards the top to the District's customers where business and finances join. Staff would like to receive the board members feedback and thoughts on staffs' analysis.

Chief of Information Technology Stevens indicated that staff held three (3) sessions on the Balance Scorecard and SWOT Analysis. He then reviewed the staff analysis of the District's Strengths, Weaknesses, Opportunities and Threats:

- Strengths:
 - Strategic Planning
 - Experienced and focused management team
 - Experienced, knowledgeable, and dedicated workforce (workforce brings previous work experiences)
 - Sound financial strength
 - Credibility with the Board
 - Strong support from the Board of Directors
- Weaknesses:
 - Need for more comprehensive and integrated asset management program
 - Dependent on imported water
 - Inability to keep good relationship with other local agencies
 - Not as advanced as could be in social media to improve customer communication and awareness
- Opportunities:
 - Ability to develop process improvement
 - Leverage new systems and technology
 - Using tools and technology to improve customer knowledge
 - Water supply/water sources
 - Emergency planning/emergency response time
 - Leveraging asset management
- Threats:
 - Reduction of water supply/water resources
 - Increased rates (power cost, BDCP, CWA, desalination, etc.)
 - Regulatory mandates
 - Danger of complacency
 - Sewer rates
 - Aging infrastructure
 - Cyber security and terrorists acts

Director Croucher indicated that he felt that the Otay Water District is the only agency that truly operates day-to-day, weekly, and long term with a Strategic Plan. He complimented staff and the entire organization for their work and participation in the District's Strategic Plan. He noted that all staff and members of the board have access to the Strategic Plan and its status reports. He indicated that an organization's strength and weaknesses is its people. It's the

employees' expertise and their historical knowledge of the organization. He stated that as employees reach the end of their career, the District needs to mold and train the new upcoming employees. He stated that he felt that the District has implemented technology that is cutting edge, but not bleeding edge and he is very comfortable where the District has gone with technology. He stated that staff and the board have discussed the District not being on the bleeding edge of technology as, at that level, the District is basically paying to beta test new unproven technology. He noted that the District is proactively exploring new water supplies, such as, reclaimed and desalination for its customers who, ultimately, the District is accountable to. He stated customers concerns are availability of water supply, quality and cost. He lastly suggested that the District change the third item listed under *Weaknesses* to, "Dealing with constantly changing staffing, political initiatives, etc. of partner agencies."

Director Thompson commented with regard to the weakness, "Dealing with constantly changing staffing, political initiatives, etc. of partner agencies," that it is one of the District's largest challenge to it achieving its goals as the District must partner with multiple agencies, which is a very difficult and complex process. He stated because of this, it takes time to come to consensus/agreement.

It was also discussed that the District is addressing those items that are identified as weaknesses and threats and that they would be part of the next discussion concerning SWOT Analysis and Strategic Planning. Director Smith suggested that staff change the item listed under *Opportunities* for Water Supply/Water Sources to, "Diversify water supply/water sources." He also asked that, "Succession planning," be added as an item.

Director Smith also suggested that the District consider identifying an *Agency Liaison*, such as, an Engineering/Planning position who is responsible for reaching out to the different agencies ahead of projects to discuss and coordinate with these agencies. He lastly suggested that, "Pipeline condition assessment," possibly be added as a weakness depending on how far along the District is in downloading pipeline data assessments into the GIS System. It was discussed that the District is far along in that process, but it still has further to go.

In response to an inquiry from Director Robak, Chief of Information Technology Stevens indicated that approximately three (3) years ago the District performed a Best Management Practice study on its Operations utilizing CMOM (Capacity, Management, Operations and Maintenance). He explained that CMOM is a Federal program that compares collection systems across the Country. The program identifies a list of generalized best practices, wherein, the District is rated against these best practices. Staff indicated that the District is in good shape. Chief of Water Operations Porrás also indicated that the District utilized a consultant every two years to review and advise the District on where it can improve its electrical consumption to find savings. This company receives compensated by taking a percentage of any savings they identify. The

consultant, however, found during three (3) different reviews that the District is already doing all it can to save electricity. It was noted that the District also utilizes the Qualserve benchmarks to compare the District's operations with agencies throughout the United States, reviews articles in various publications, including the *Harvard Business Review*, to see if suggestions in the articles would be beneficial to the District, etc.

Staff also shared that the District has been utilizing electronic maps in the field for seven (7) plus years, whereas most public agencies are still utilizing paper maps in the field. Also, in each of the last two years, staff presented six (6) studies to the senior team that summarizes what *Best Practices* are and reviewed Black & Veatch's study regarding enterprise utilities. It was stated that the District is always looking at ways to improve its operations, financial statements, its transparency, etc.

Director Thompson observed that the most savings realized by the District is through the implementation of technology. He stated that he would like the District to review its process with regard to testing and incorporating technological advancements. He stated that a lot of technology is being introduced rapidly and asked if the District has a system to review its work processes and determine if it can be done better by implementing new technology. Staff indicated that that is a theme throughout the objectives for all departments. Performance goals are set with specific objectives within the departments to review business processes, work flows, unit costs, the possibility of sharing resources within and between departments, etc. Staff also attends conferences to be apprised of new technology that may benefit the District.

Staff shared that another way that business processes and workflows are evaluated is when employees leave or retire. The open job classification is then reviewed to see if the position is still relevant, can be integrated with other functions, etc. This review is the reason that the District has been able to reduce its fulltime equivalents (FTEs), while still increasing workload and productivity.

It was noted in response to a suggestion by Director Thompson, that a new objective has already been created that summarizes the results of the District's process improvements in both technology and in staffing. Staff agreed with Director Thompson that they could articulate this information better and that it could be strengthened in the District's Strategic Plan.

President Lopez noted that the Strategic Plan provides the District's constituents a view of what the District is doing and is something that can be provided to the public if they have questions. He stated that the board strongly supports the Strategic Plan and he is proud to have anyone look at the District's website and provide feedback on what the District is doing. He stated that he always receives positive feedback from those who do review the District's website.

Chief of Information Technology Stevens thanked the board for their feedback and indicated that staff will be taking their comments and integrating them into the District's SWOT Analysis.

Staff then presented each of the District's department objectives within the Strategic Plan. He stated that part of the process is getting the right objectives. He stated the assumption is if you put the right things in place and do the right things, then the District will accomplish its strategies. He noted that all the departments include an objective titled, "Department level manuals and business functions." This objective is to document all the District's business processes, provide for succession planning and cross training. In response to an inquiry from Director Smith, staff indicated that the District does have a lot of its business processes documented.

- Operations:
 1. Evaluate replacing the District's two-way (Motorola) radio system
 2. Expand the Leak Detection Program
 3. Electric power and fuel management practices
 4. Optimize inventory management
 5. Streamline work processes

- Engineering:
 1. Evaluate efficiencies for delivering capital assets
 2. Planning will address dependency on imported water
 3. Evaluate recycled water planning
 4. Sewer system consolidation
 5. Streamline work processes

- Administration and Information Technology:
 1. Optimize SCADA Program
 2. Continue to enhance the Asset Management Program
 3. Optimize GPS/GIS Technology
 4. Enhance physical and cyber security
 5. District Emergency Response Program
 6. Streamline procurement and contractor on-boarding process via web-based eProcurement Technology
 7. Negotiate a successor Memorandum of Understanding for represented employees for 2017 and beyond and related compensation and benefits for unrepresented employees with emphasis on making necessary update to Employee Health Benefits related to Health Care Reform
 8. Evaluate Eden's self-service option within HR Module
 9. Evaluate opportunities to combine or transfer similar work functions

- Finance:
 1. Strengthen internal audit program

2. Enhance cost benefit analysis
3. Enhance communications with District customers
4. Evaluate current and new CIS Systems
5. Improve and streamline meter related processes
6. Evaluate and enhance District's water conservation programs and services
7. Streamline work processes

General Manager Watton indicated that staff will be taking the comments from the board and going back to develop and publish the Strategic Plan for the May budget workshop.

Director Smith remarked that the District, through its programs, encourages its customers to conserve and by customers doing so, the District must charge them more for water. He stated that there is a fine line in how much an agency encourages conservation through its water conservation programs as it impacts the District's finances. He indicated that there is also confusion expressed in the paper by customers with regard to the public being asked to conserve, while the cities and water districts continue to allow growth. It was discussed that by continuing to educate the public it can help give them perspective on water issues.

Director Thompson indicated that one of the items he did not see under the District's strengths is the District's fairly good relationship with its customer base. The District has built up quite a bit of trust through its communications and he noted that customers rarely attend the District's meetings to complain, which tells him that customers understands the District's situation.

Director Croucher noted that the District is not for or against growth. Otay WD only supplies water to its customers and is not involved in the decision for growth or no growth. He clarified that the Otay WD is responsible for planning and securing water supply resources and for signing off on whether it can supply the water required by new developments. It does not determine whether growth should or should not occur.

Chief of Information Technology Steven indicated that staff will take the board's feedback from today's discussion and will recalibrate the objectives and Balance Scorecard measures. Staff will also add as a strength, the District's good relationship with its customers, as suggested by the board. He stated that the board will be provided the second quarter Strategic Plan results in the next month and will see the Strategic Plan again at the FY 2016 Budget Workshop.

The board thanked staff for their good work on the Strategic Plan and on their work at CWA by providing good feedback on behalf of the District and its ratepayers on CWA proposed rates, etc.

7. ADJOURNMENT

With no further business to come before the Board, President Lopez adjourned the meeting at 2:07 p.m.

President

ATTEST:

District Secretary