Leading Sustainable Change:
NACWA 2014 Summer Conference
Leading change: Setting direction, priorities and speed of change

**Current State**

- **CAPEX**
  - New Build
  - Designed to **Build**
  - Develop **Projects** to Deliver **Outputs**
  - **Limited Engagement** with Contractors & Operators
  - **Water Industry** Best Practice
  - **Asset** Centric
  - **Fragmented** Data
  - Multi Stakeholder **Relationships**

**Future State**

- **TOTEX**
  - New Build vs. No Build
  - Designed to **Operate**
  - Develop **Solutions** to Deliver **Outcomes**
  - Early & Rigorous Engagement with Contractors & Operators
  - **Other Industry** Best Practice
  - **Customer** Centric
  - **Consolidated** Data Management
  - Multi Stakeholder **Partnerships**
Strategic leadership requires varying our levels of engagement

- Level 4 (3-7 year cycle)
- Level 3 (2-3 year cycle)
- Level 2 (1 year cycle)
- Level 1 (Ongoing)

Megatrends -> Enterprise Platform
Market Intelligence -> Utility Strategy
Comparative Performance -> Strategy Execution
Operational Performance -> Operations
Leadership makes all the difference

“Big Data”

Getting the data

Analyzing the data
A **project approach** requires a scope, schedule and budget to be developed to address a specific IT or operational issue.

**Strategic leaders** are using a business transformation approach to get the maximum value from investments in IT tools and systems.
Applying a business transformation approach achieves the desired outcome

- **Step 1: DEFINE**
  - Why are you here?
  - Establish drivers and inefficiencies

- **Step 2: MEASURE**
  - What do you need to improve?
  - Develop baseline metrics and problem statements

- **Step 3: ANALYZE**
  - How do you improve?
  - Identify a solution and plan

- **Step 4: IMPROVE**
  - What are your quick wins?
  - Develop a staged implementation with quick wins

- **Step 5: CONTROL**
  - How do you “make it stick”?
  - Embed the program and monitor the benefits
Strategic leadership delivers a better business outcome

- Improved customer service
- Operational savings
- High staff engagement and adoption
A traditional approach looks at what we need to know to operate and relies on existing “tried and true” model.

Strategic leaders ask provocative questions and challenge the current views to support decisions on what to do next.
Example: U.S. EPA’s current measure of service affordability

Average Annual Residential Bills

\[ \frac{\text{Average Annual Residential Bills}}{\text{Median Household Income}} \]

Ignores actual bills

Ignores income skew

Ignores neighborhoods
$53,046 – Median Household Income (U.S.)
$1,060 – 2% of Total Median Household Income

<table>
<thead>
<tr>
<th>Income Range</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; $15,000</td>
<td>17%</td>
</tr>
<tr>
<td>$15,000 to $35,000</td>
<td>5%</td>
</tr>
<tr>
<td>$35,000 to $75,000</td>
<td>2%</td>
</tr>
<tr>
<td>$75,000 to $150,000</td>
<td>1%</td>
</tr>
<tr>
<td>More than $150,000</td>
<td>1%</td>
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Weighted-Average Impact is about 4%
Accounts for income skew and is easily applied to “slices” of data

1. Take the % of Population in each income bin
2. Multiply by the burden % for that bin
3. Repeat for all bins in tract
4. Repeat for all census tracts
5. Calculate average WARi for entire service area

Inside every census tract, households are segmented into 15 standardized income bins, which is already captured by the U.S. Census
How does affordability change between the two calculations? – One city’s results

Where you are with the original calculation...

$672

2.0% - Aggregate MHI
2.3% - Avg. MHI for All Tracts
3.7% - WARi Measurement

Where you should be....

$598

2.0% - Avg. MHI for All Tracts
3.3% - WARi Measurement
An 11% reduction from the previous target that had been set based on the EPA residential index method.

Annual community savings

Lifetime community savings
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- **Comparative Performance**
- **Operational Performance**

- **Enterprise Platform**
- **Utility Strategy**
- **Strategy Execution**
- **Operations**
Changes in utility business

Requires varied levels of strategic engagement

Focus on direction, prioritization and speed of change
Thank you!