

One Water Initiative

Public Works, Bridges & Transportation Committee

September 15, 2015

Tim Kraus



Background of One Water



Background

December 2011 – Mayor Fischer announces that he will create an Advisory Group to examine the possibility for shared services and cost reductions among MSD, LWC and City's Public Works.

January 2012 – Mayor Fischer appoints seven member Advisory Group Louisville Water and Metropolitan Sewer District (MSD)

May 2012 – Advisory Group presents recommendations to the Boards and to Mayor Fischer

April 2013 – Louisville Water and MSD form an internal Due Diligence team to evaluate the Advisory Groups recommendations and provide recommendations to the Boards and to Mayor Fischer

March 2014 – Kentucky Attorney General approves a Comprehensive Interlocal Agreement between MSD and LWC

Background

May 2014 – Phase I Implementation begins with establishment of Joint Services Steering Committee, posting of Transition Coordinator and establishing the following Transition Teams:

- Procurement
- Fleet Management
- Human Resources (Benefits, Training, Compensation, Recruitment)
- Information Technology
- Customer Service
- Energy Savings
- Effective Utility Management (Performance Tracking)

Background

August 2014 – Hired a One Water IT Security Administrator

December 2014 – Hired a One Water Transition Coordinator to facilitate the One Water initiative, as recommended in the Due Diligence report

February 2015 – MSD Board and Louisville Water Co. Board of Water Works approved a Shared Services agreement to allow cross-billing

April 2015 – Began investigating expanding Interlocal Agreement to enhance ability to seek benefits and savings for One Water

July 2015 – Hired a One Water Fleet Manager

August 2015 – Posted One Water Chief Information Officer

Boundary Conditions

1. Change shall not adversely affected LWCs' corporate structure
2. Local ownership shall be maintained
3. LWC dividend shall not be jeopardized
4. Bondholders shall not be adversely impacted
5. Consent Decree shall not be jeopardize
6. Stabilize or slow rate increases
7. Maintain or improve service levels
8. No adverse impact on service to existing or planned wholesale and contract operation customers.

Update on the One Water Initiative



Work Status

Functional Area	Progress and Accomplishments	Key Challenges or Obstacles
Procurement	<ul style="list-style-type: none"> • Work sharing/staff shadowing • Developed a summary matrix comparing procurement processes • Coordinating sharing of bids and contracts 	<ul style="list-style-type: none"> • Model Procurement vs. Kentucky Bid Law • Differences of Supplier Diversity Programs • Bonding Requirements vs. Pre-Qualifications
Fleet Services	<ul style="list-style-type: none"> • Sharing existing contracts: Metro, LWC, MSD (i.e. fuel, GPS) • Evaluating RFP or change order to procure fleet parts • On-boarded One Water Fleet Manager 	<ul style="list-style-type: none"> • Managing two different labor unions

Work Status

Functional Area	Progress and Accomplishments	Key Challenges or Obstacles
Customer Service	<ul style="list-style-type: none"> • Work sharing/staff shadowing • Cross-Training of MSD staff • Shared staff for implementation of CC&B 	<ul style="list-style-type: none"> • Implementation of CC&B
Information Technology	<ul style="list-style-type: none"> • Combined support for CC&B • Developed plan for consolidating LWC and MSD IT groups • Posting One Water CIO • Joint Disaster Recovery Site 	<ul style="list-style-type: none"> • Loss of key IT personnel at MSD and LWC

Work Status

Functional Area	Progress and Accomplishments	Key Challenges or Obstacles
Human Resources	<ul style="list-style-type: none"> • Sharing pre-employment and drug testing contract • LWC apply MSD's tool for tracking employee training • Assisting with One Water Fleet and IT positions • Common Insurance Broker (AON) and Compensation Consultant (Mercer) 	<ul style="list-style-type: none"> • Vacancies at MSD • Significant demands on HR staff to perform on-going work while supporting all other functional teams • Differences in benefits (timing, benefits packages)
Energy	<ul style="list-style-type: none"> • Energy audit and evaluation of MFWQTC under way • Developing tracking tool 	<ul style="list-style-type: none"> • Morris Forman Emergency

Work Status

Program Element	Progress and Accomplishments	Key Challenges or Obstacles
Communications	<ul style="list-style-type: none"> • Publish recurring internal One Water updates and information 	<ul style="list-style-type: none"> • Developing consistency of One Water brand
Benefits and Cost Tool	<ul style="list-style-type: none"> • Developed auditable tool • Recurring updates 	<ul style="list-style-type: none"> • None
Effective Utility Management (EUM)	<ul style="list-style-type: none"> • Developing tool for four attributes • Initiated work for remaining attributes 	<ul style="list-style-type: none"> • Day-to-day demands of staff

Effective Utility Management (EUM)

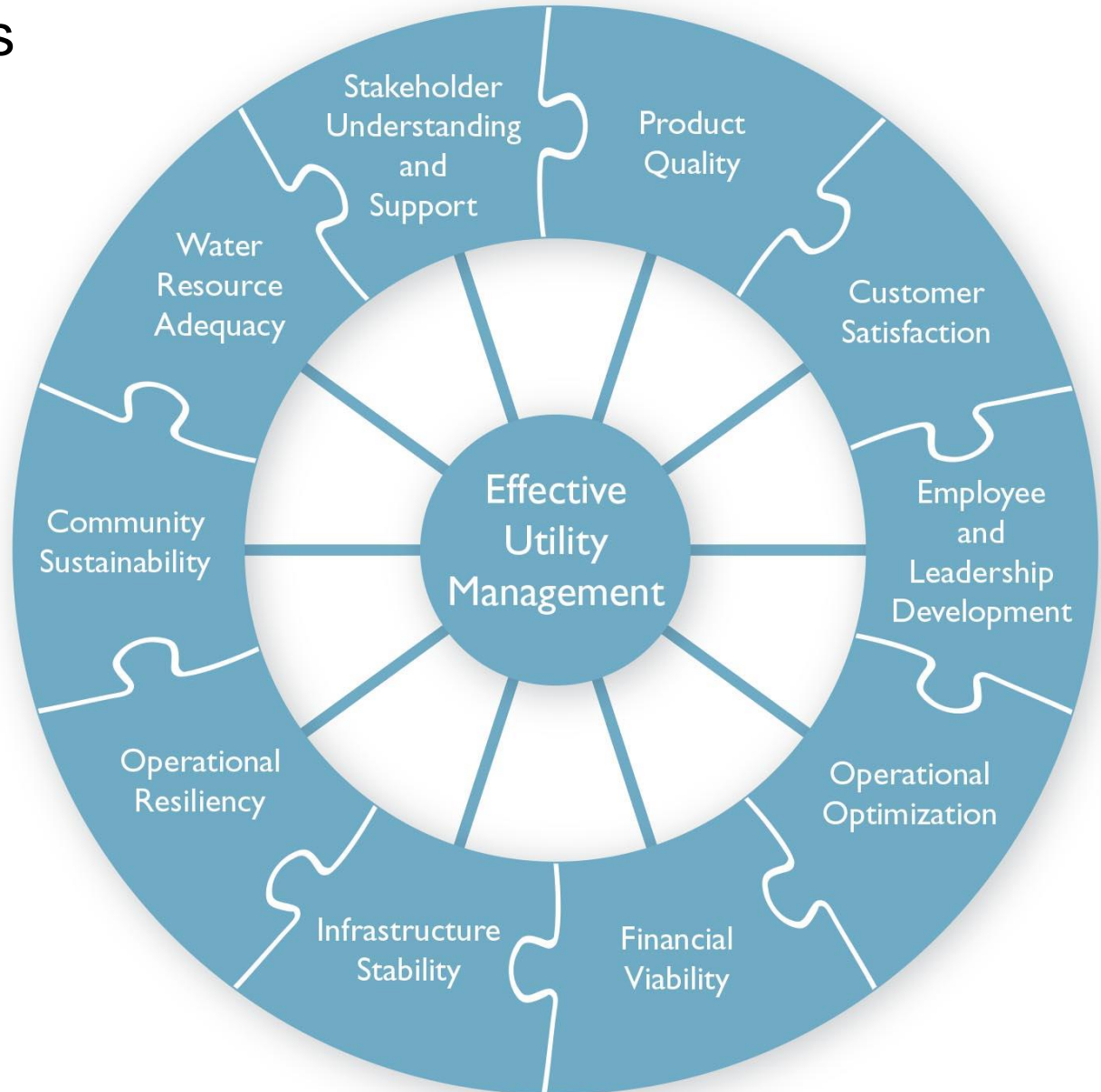


20 Utilities contributed to research, including LWC.

AWWA, WEF, US EPA and four other organizations designed a tool to help utility managers make practical, systematic changes to achieve excellence in utility performance.

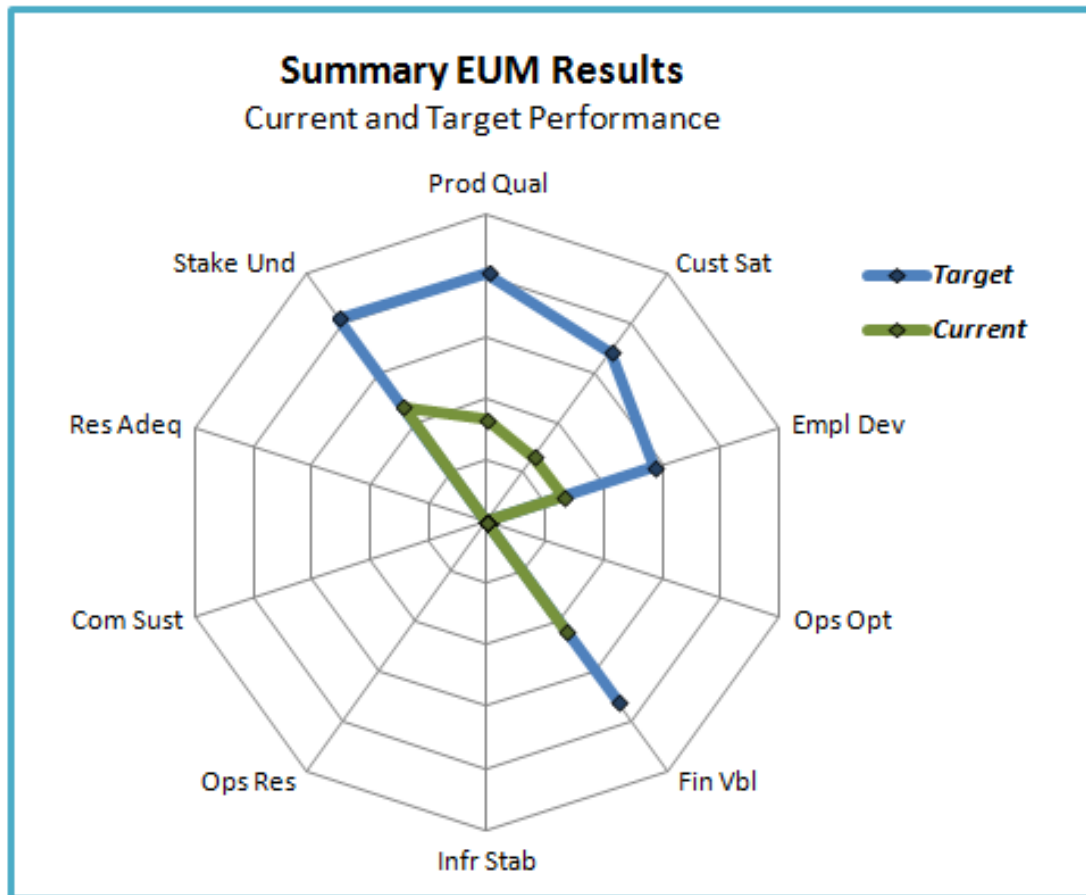
EUM consists of 10 Attributes and Five Keys to Management Success that are the Effective Utility Management (EUM) standard.

The Ten Attributes of Effectively Managed Water Sector Utilities



Track and Trend Performance

Example Spider Chart



Benefits and Savings Tool

- Tool built internally by staff at LWC and MSD
- Cost of service tool
- Base year 2012
- Built to be audited
- Data currently loaded for 2012 through July 2015

Benefits and Savings Tool

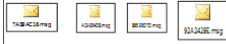
MSD/LWC One Water Initiative
Cost Sharing & Value Added Benefits

Customer Service (CS)

ID	Initiative	One Water Initiative				Actual				Allocation Methodology	Value Added Benefits							
		Date(s) or Timeframe	Outside Parties	Contact Name	Company	Reference Number	Direct Cost	Shared Cost	Reimbursement		Net Cost	Direct Savings	Cost Avoidance	Add'l Revenue	Enhanced Service	Total Value Added		
CS-1	Overtime Cost Savings	2015		Michael O'Malley	LWC						\$	-	\$ 12,600.00	\$	-	\$	12,600.00	
		2016		Steve Tedder	LWC						\$	-	\$ 50,400.00	\$	-	\$	50,400.00	
	TOTALS:						\$	-	\$	-	\$	-	\$ 63,000.00	\$	-	\$	63,000.00	
	Additional Comments:	MSD will begin to handle some off-line/back-office service functions such as working email and mail correspondence, reducing overtime from LWC staff.									In the current Q4 2014, CCB training period in Q3 2015 and CCB launch period in Q2 2015, I don't forecast any cost savings in overtime. As we move into Q3 2015, I forecast MSD CSR's filling call center staffing gaps as post CCB volume normalizes. This increases in Q4 2015 with the addition of MSD CSR's transitioning into working off-line/back-office service functions such as working email and mail correspondence. This is currently performed by LWC CSR's mostly through the use of overtime hours.							
	Source:	*Date entered: 3/16/2014 @ 1:32pm by Matthew Griffin *email on 1/16/2015@9:19am from Michael O'Malley									*email on 1/16/2015@9:19am from Michael O'Malley							
CS-2	Reduction of Temporary Contractual Services Costs	2015		Michael O'Malley	LWC						\$	-	\$ 83,316.00	\$	-	\$	83,316.00	
		2016		Steve Tedder	LWC						\$	-	\$ 106,632.00	\$	-	\$	106,632.00	
	TOTALS:						\$	-	\$	-	\$	-	\$ 189,948.00	\$	-	\$	189,948.00	
	Additional Comments:	Due to MSD CCB training, LWC will be able to share workload with MSD reps thus reducing LWC contractual services needs.									*With MSD CSR's fully trained in CCB and LWC processes and post CCB launch, I forecast we can reduce down by two full-time call center temporary reps. *With MSD CSR's fully trained in CCB and additional training in LWC Remittance processes for some reps, I forecast we can reduce down by one full time Remittance temporary rep.							
	Source:	*email on 1/16/2015@9:19am from Michael O'Malley									*email on 1/16/2015@9:19am from Michael O'Malley							
CS-3	CCB Salaries	2015			LWC						\$	-	\$	-	\$	-	\$	
		2015			MSD						\$	-	\$	-	\$	-	\$	
	TOTALS:						\$	-	\$	-	\$	-	\$	-	\$	-	\$	
	Additional Comments:	3 people on MSD staff moved to LWC which were not backfilled by MSD. LWC would have had to hire temporary help to fill those spots, so LWC realized savings from not having to hire additional workers.																
	Source:																	
CS-4	Billing Cost Allocation	2012	CH2M	Amber Halloran	LWC		\$ (957,801.00)	\$ -	\$ 2,520,000.00	\$ 1,962,199.00		\$	1,962,199.00	\$ -	\$	-	\$	1,962,199.00
		2012		Chad Collier	MSD		\$	-	\$ (2,520,000.00)	\$ (2,520,000.00)		\$	(2,520,000.00)	\$ 4,683,871.00	\$	-	\$	2,163,871.00
		2013	CH2M	Amber Halloran	LWC		\$ (968,957.00)	\$ -	\$ 3,500,000.00	\$ 2,931,043.00		\$	2,931,043.00	\$ -	\$	-	\$	2,931,043.00
		2013		Chad Collier	MSD		\$	-	\$ (3,500,000.00)	\$ (3,500,000.00)		\$	(3,500,000.00)	\$ 4,777,549.00	\$	-	\$	1,277,549.00
		2014	CH2M	Amber Halloran	LWC		\$ (580,336.00)	\$ -	\$ 4,000,000.00	\$ 3,419,664.00		\$	3,419,664.00	\$ -	\$	-	\$	3,419,664.00
		2014		Chad Collier	MSD		\$	-	\$ (4,000,000.00)	\$ (4,000,000.00)		\$	(4,000,000.00)	\$ 4,873,100.00	\$	-	\$	873,100.00
		2015	CH2M	Amber Halloran	LWC		\$ (591,943.00)	\$ -	\$ 4,500,000.00	\$ 3,908,057.00		\$	3,908,057.00	\$ -	\$	-	\$	3,908,057.00
		2015		Chad Collier	MSD		\$	-	\$ (4,500,000.00)	\$ (4,500,000.00)		\$	(4,500,000.00)	\$ 4,970,562.00	\$	-	\$	470,562.00
		2016	CH2M	Amber Halloran	LWC		\$ (603,782.00)	\$ -	\$ 5,000,000.00	\$ 4,396,218.00		\$	4,396,218.00	\$ -	\$	-	\$	4,396,218.00
		2016		Chad Collier	MSD		\$	-	\$ (5,000,000.00)	\$ (5,000,000.00)		\$	(5,000,000.00)	\$ 5,069,973.00	\$	-	\$	69,973.00
		2017	CH2M	Amber Halloran	LWC		\$ (615,857.00)	\$ -	\$ 5,500,000.00	\$ 4,884,143.00		\$	4,884,143.00	\$ -	\$	-	\$	4,884,143.00
		2017		Chad Collier	MSD		\$	-	\$ (5,500,000.00)	\$ (5,500,000.00)		\$	(5,500,000.00)	\$ 5,171,373.00	\$	-	\$	132,373.00
		TOTALS this year - 2014						\$ (1,707,094.00)	\$ -	\$ (1,707,094.00)	\$ (1,707,094.00)	Billing Contract	\$	(1,707,094.00)	\$ 14,334,520.00	\$	-	\$
	Additional Comments:	The Louisville Water Company (LWC) currently provides billing and collection services to the Louisville and Jefferson County Metropolitan Sewer District (MSD). Compensation to LWC by MSD for these services was based on a Memorandum of Agreement (MOA) that was agreed upon by the two parties in February 2002. A cost allocation analysis was performed in 2011 by CH2M Hill to estimate "per bill" costs associated with billing and collection activities, which was used to support an updated agreement.									Enhanced Service Includes: *Customer receives one combined bill *Lower bad debts with cut off service *CCB benefits *Sharing customer information							
	Source:	*Date entered: 3/16/2014 @ 1:32pm by Matthew Griffin *CH2M Billing and Collection Cost Allocation Analysis (Nov. 28, 2011)									CDA8E343.msg							
CS-		2015			LWC						\$	-	\$	-	\$	-	\$	
		2015			MSD						\$	-	\$	-	\$	-	\$	
	TOTALS:						\$	-	\$	-	\$	-	\$	-	\$	-	\$	
	Additional Comments:																	
	Source:																	

Benefits and Savings Tool

Example: Fleet Services - Concrete Initiative

Fleet (F)																	
One Water Initiative							Actual				Allocation Methodology	Value Added Benefits					
ID	Initiative	Date(s) or Timeframe	Outside Parties	Contact Name	Company	Reference Number	Direct Cost	Shared Cost	Reimbursement	Net Cost		Direct Savings	Cost Avoidance	Add'l Revenue	Enhanced Service	Total Valued Added	
F-1	Concrete ILA	2013~		Greg Armenta	LWC		\$ (20,639.79)	\$ -	\$ 20,639.79	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
		2013		Tony Marconi	MSD		\$ (20,639.79)	\$ -	\$ -	\$ (20,639.79)	\$ 18,885.44	\$ -	\$ -	\$ -	\$ -	\$ 18,885.44	
		2014~		Greg Armenta	LWC		\$ (66,305.91)	\$ -	\$ 66,305.91	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
		2014		Tony Marconi	MSD		\$ (66,305.91)	\$ -	\$ -	\$ (66,305.91)	\$ 69,447.12	\$ -	\$ -	\$ -	\$ -	\$ 69,447.12	
		2015~		Greg Armenta	LWC		\$ (37,992.20)	\$ -	\$ 37,992.20	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
		2015		Tony Marconi	MSD		\$ (37,992.20)	\$ -	\$ -	\$ (37,992.20)	\$ 41,367.43	\$ -	\$ -	\$ -	\$ -	\$ 41,367.43	
		2016		Greg Armenta, Tony Marconi	LWC							\$ 65,000.00	\$ -	\$ -	\$ -	\$ -	\$ 65,000.00
		2017			LWC							\$ 70,000.00	\$ -	\$ -	\$ -	\$ -	\$ 70,000.00
		2018			LWC							\$ 70,000.00	\$ -	\$ -	\$ -	\$ -	\$ 70,000.00
				TOTAL thru year:	2015				\$ (124,937.90)	\$ -	\$ -	\$ (124,937.90)	\$ 129,699.99	\$ -	\$ -	\$ -	\$ -
	Additional Comments:						<ul style="list-style-type: none"> LWC was reimbursed by MSD @ 100% cost of service. Direct costs for LWC are labor + concrete; from "MSD Savings" spreadsheets 					<ul style="list-style-type: none"> Actual figures from "MSD Savings.xls" spreadsheets 2015-2019 projections from "updated savings information" 					
	Source:	Updated on 8/12/2014 @ 11:00am by Matthew Griffith					<ul style="list-style-type: none"> "updated savings information" from Greg Armenta >> "MSD savings.xls" from Andrew Winslow >> "One Water Summary Timeline" from Brian Matherly >> Quarterly Reports >> 										

Benefits and Savings Summary for 2015*

* - Under review by CFOs

Function Area	Direct Savings	Cost Avoidance	Additional Revenue	Total Value Added
Procurement	\$ -	\$ 140,000	\$ -	\$ 140,000
IT	\$ 888,000	\$ 127,000	\$ -	\$ 1,015,000
Customer Service	\$ (592,000)	\$ 5,076,000	\$ -	\$ 4,484,000
HR	\$ 45,000	\$ 24,000	\$ -	\$ 69,000
Fleet	\$ 308,000	\$ -	\$ -	\$ 308,000
Energy Savings	\$ -	\$ -	\$ -	\$ -
Miscellaneous	\$ -	\$ -	\$ 4,128,000	\$ 4,128,000
Subtotal	\$ 649,000	\$ 5,367,000	\$ 4,128,000	
			Grand Total	\$ 10,144,000

One Water Governance

March 2014 - ILA Approved

April 2015 - to better position One Water to best realize cost savings, efficiencies and improved service levels, Stites & Harbison began evaluating governance structure changes

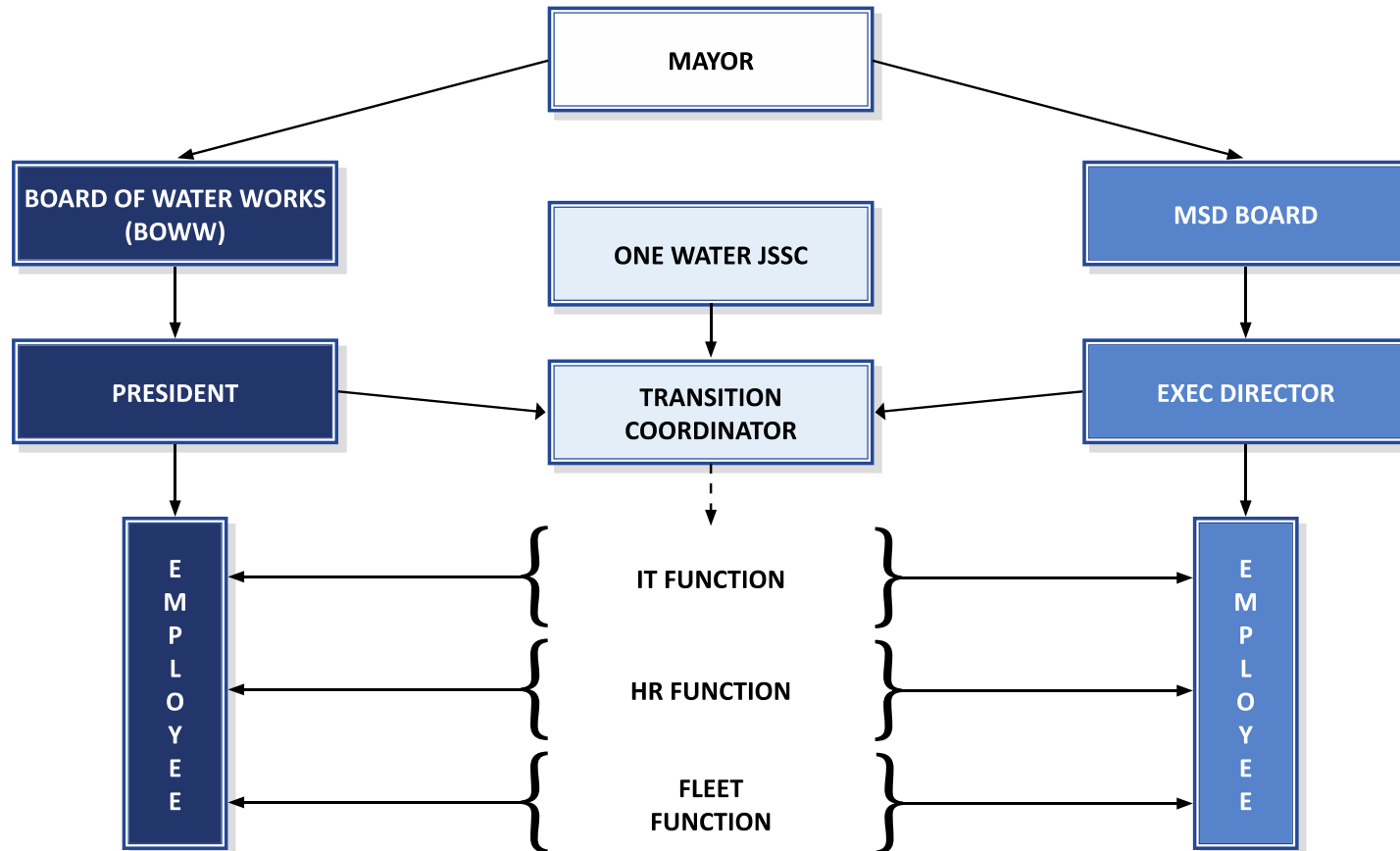
One Water Governance

Three options or “models” were evaluated. All options are within the context of an Interlocal Agreement.

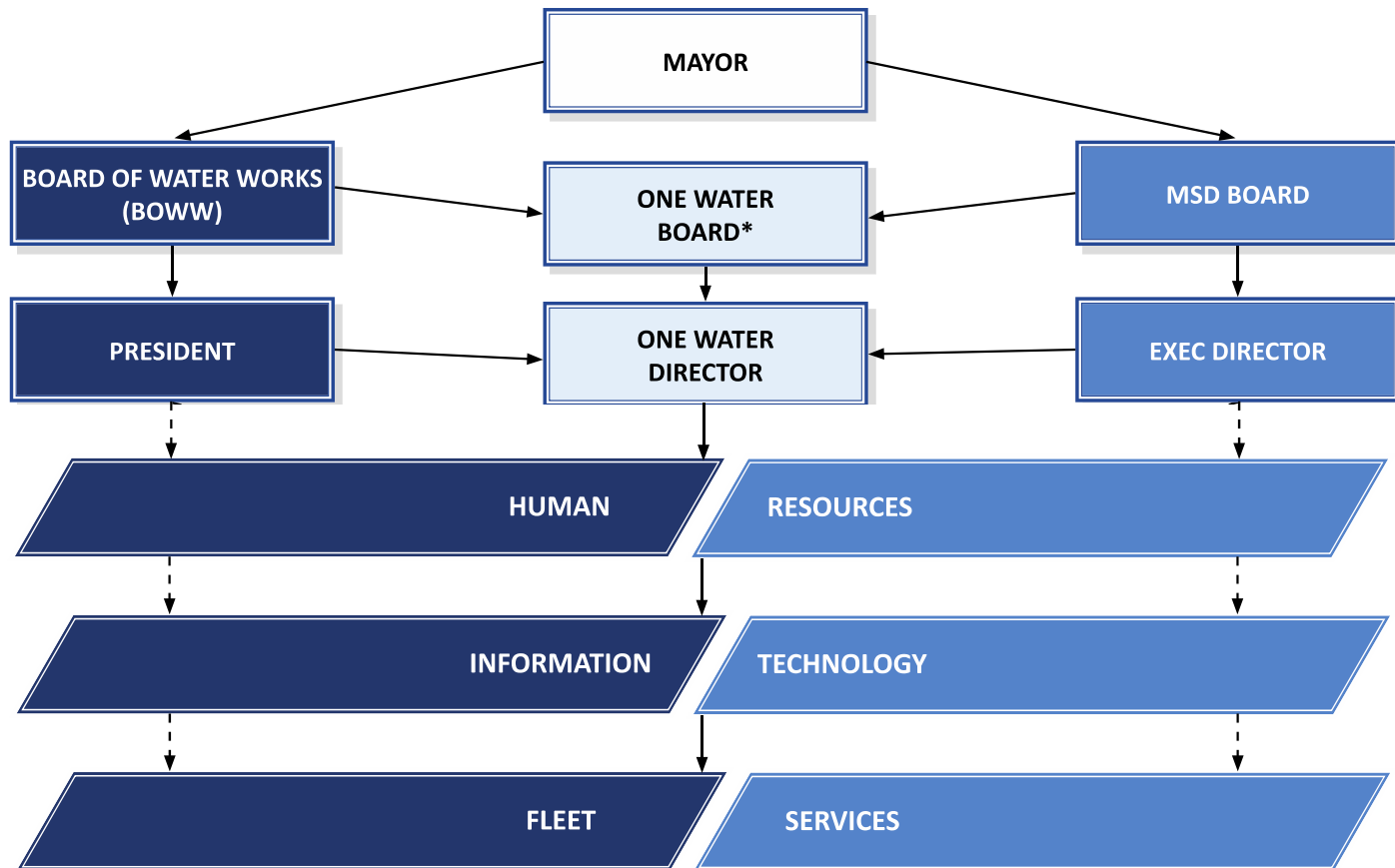
- Model A – Existing One Water governance structure using a Joint Services Steering Committee, serving as an Administrative Board (no employees of One Water)
- Model B – Create a One Water Board, hiring a One Water Director, serving as a Task Force/Service Entity. Employees would stay on MSD and LWC payroll, or **limited** staff hired by One Water.
- Model C – Modify existing structure to create a separate entity from LWC and MSD, hiring a One Water Director and staff to provide services to both MSD and LWC

MODEL A

(Supervisory/Administrative Board)



MODEL B (Task Force/Service Entity)



*ONE WATER BOARD CONSISTS OF BOWW, MSD BOARD, AND OFFICERS FROM LWC AND MSD

Amended Interlocal Agreement

- Refines purpose to improve the focus for One Water
- Allows establishing a One Water budget
- Establishes One Water Board;
 - two members from MSD,
 - two members from LWC and
 - one member from Mayor's Office
- Duties of One Water Board include:
 - Determine services to be shared
 - Oversee day-to-day administration of One Water
 - Hiring of limited staff

Next Steps



One Water–Next Steps

- Submit Amended ILA to KY Attorney General for Approval
- Continue One Water Phase I
- Transition leadership to a One Water Board
- Phase II – Kick-off
 - Perform assessment and prioritization of function areas
 - Establish objectives and milestones for each area

One Water Initiative

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End

