

blue horizon 2020

DC WATER
STRATEGIC
PLAN





CHAIRMAN'S MESSAGE

DC Water is flowing into a period of vast opportunity, but also enormous challenges that will be difficult to navigate without careful

planning and a clear vision for the future of the enterprise. That vision is encapsulated in this document, the Blue Horizon 2020 Strategic Plan.

The Board of Directors and the Executive Management Team have collaborated to assess key industry trends and the greatest threats, and to identify the critical factors important to DC Water's long term success. We now have a strong course of action, with clear goals and objectives, and detailed steps for implementation and monitoring that will guide DC Water's progress for years to come. I look forward to working with the General Manager and his team to ensure DC Water reaches its full potential.

Allen Y. Lew, Chairman
DC Water Board of Directors



GENERAL MANAGER'S MESSAGE

It has been a great pleasure to work with the Board of Directors to examine our strengths, weaknesses, opportunities and threats, and to set an overall strategic direction that will ensure we remain accountable to our ratepayers and meet the challenges ahead, from increasingly

stringent federal mandates to an aging infrastructure and workforce.

The Blue Horizon 2020 Strategic Plan is a blueprint for excellence in service, technology and environmental sustainability. The services we provide are vital to every person, business and community in the region and it is our priority to prepare for challenges and develop solutions today and for the future.

At DC Water, we will utilize the Blue Horizon 2020 Strategic Plan as a clear vision for efficient and effective performance, financial responsibility, outreach and leadership. It will make us a world-class utility and a leader in the areas of customer service, technology, science and business. I look forward to the actions we will take and the impacts we will have in making sure that every dollar from our ratepayers goes farther, while improving our services to the District, the region and the environment.

George S. Hawkins, General Manager
DC Water

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THE NEED FOR STRATEGIC PLANNING

Global and national trends, coupled with local challenges, have profoundly impacted the operations, management, finance, and governance of many water-sector utilities throughout the United States.

This convergence of issues has created:

- ▶ An unsustainable financial model, characterized by reductions in revenue and increases in operational and capital needs.
- ▶ A disconnect with the customer base, where customers and stakeholders struggle to understand the value of water and the balance between the needs of the utility and its financial resources.

In 2008 and 2009, new leadership was installed at the Board of Directors (Board) and Executive Management levels of DC Water. Since that time, substantial effort has been devoted to re-branding the organization under the theme of **Water is Life**, initiating an asset management process, and improving the effectiveness of the workforce through a Team Blue Initiative and an organization-wide commitment to teamwork, effectiveness, and efficiency called PACT.

DC WATER STRATEGIC PLANNING PROCESS

BOARD RETREAT

A full day session with the Board to discuss:

- The future of water and its potential impact on DC Water
- DC Water's vision
- Overall strategic direction
- Strengths, weaknesses, opportunities, and threats, as well as potential DC Water responses

INITIAL STRATEGIC PLANNING COMMITTEE WORKSHOP

Building on the Board Retreat, a workshop was conducted with the Board's newly-created Strategic Planning Committee to develop DC Water's mission, values, and goals, and assign goals to specific Board Committees for further review and direction.

COMMITTEE WORKSHOPS

Workshops were held with the committees responsible for various goals to refine the respective goals, draft measurable objectives, and consider potential ideas for initiatives.

FOLLOW-UP STRATEGIC PLANNING COMMITTEE WORKSHOP

After the various committees had completed work on their respective goal areas, the Strategic Planning Committee met to review and refine the foundational elements (vision, mission, values, and goals) of the DC Water strategic plan.

EXECUTIVE TEAM WORKSHOP

Since management will have ultimate responsibility for implementing the Blue Horizon 2020 Strategic Plan (Blue Horizon 2020), the specific initiatives to be pursued were developed at an Executive Management Workshop. As a result of this workshop, a first draft of Blue Horizon 2020 was prepared.

BOARD REVIEW

The Blue Horizon 2020 draft was reviewed by the Board, minor revisions were made, and the strategic plan was informally approved.

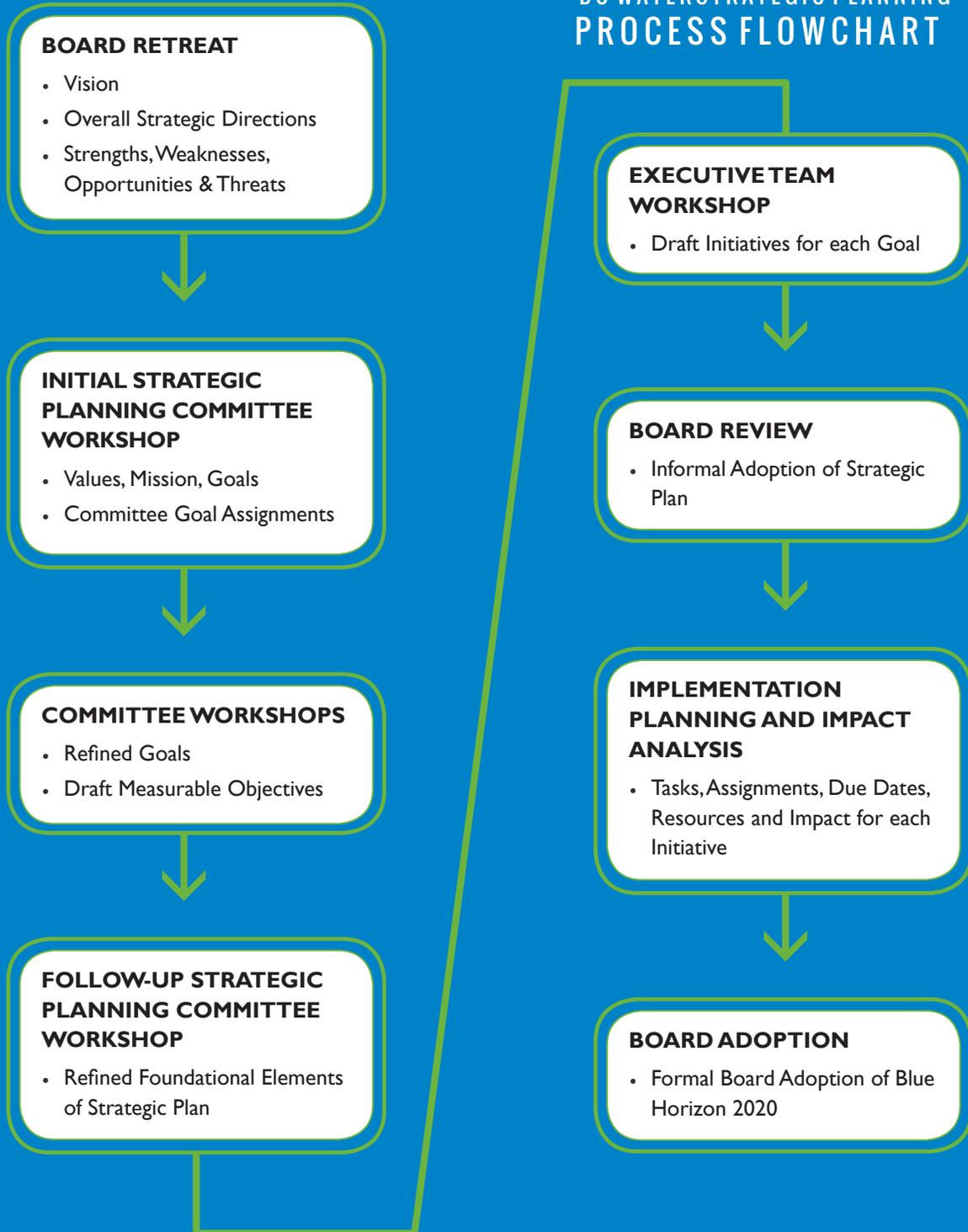
IMPLEMENTATION PLANNING & IMPACT ANALYSIS

Teams of DC Water management developed detailed implementation task plans for the various initiatives, which included tasks necessary, suggested due dates, and resources required. In addition, the teams evaluated the financial, service, and policy implications of the various initiatives. These implementation plans have been reviewed and finalized, and are presented as a supplementary document. In addition, a process and system to monitor implementation and achievement of stated objectives is being developed and will be incorporated into the DC Water management process.

BOARD ADOPTION

The final plan was presented to the Board, which adopted it formally at their meeting in March 7, 2013 as the Blue Horizon 2020 Strategic Plan.

DC WATER STRATEGIC PLANNING PROCESS FLOWCHART



ENVIRONMENTAL SCAN

COMMUNITY PROFILE

As the nation's capital, Washington, D.C. is a federal district, located on the Potomac River between Maryland and Virginia. According to a recent U.S. Census estimate in July of 2011, the District has a population of approximately 618,000, which increases to well over a million during the work week, when commuters from Maryland and Virginia suburbs enter the city. The Washington Metropolitan Region has a population of more than 5.5 million individuals and is the seventh-largest metropolitan area in the country.

As of October 2012, the unemployment rate in Washington, D.C. was 8.3 percent, compared to 6.3 percent unemployment in the State of Maryland, 5.4 percent in the Commonwealth of Virginia and 7.5 percent in the United States. The median household income in Washington, D.C. is \$61,835, which is significantly higher than the median household income for the United States (\$52,762). As of 2010, 18.2 percent of Washington, D.C. residents fell below the federal poverty level. The cost of living is 43 percent higher than the average cost of living in the United States.

Washington, D.C. has an increasingly diversified economy, with a large segment of professional and business service jobs. The largest employer is the federal government, which accounts for approximately 29 percent of the jobs in Washington, D.C., followed by Medstar Health,

Inova Health System, Northrup Grumman, and Science Applications International Group, which employ more than 15,000 employees each.

HISTORY

In 1996, the District of Columbia Water and Sewer Authority was created by District law, with the approval of the United States Congress, as an independent authority of the District Government with separate legal existence.

GOVERNANCE

DC Water's Board of Directors establishes policies and guides the strategic planning process. The Board is composed of 22 members, representing the District, Montgomery and Prince George's counties in Maryland and Fairfax County in Virginia. The District members set rates, charges and policies for District services. The entire Board votes and establishes policies for joint-use services. The General Manager reports to the Board and manages the day-to-day operations and performance of the enterprise.

CUSTOMERS SERVED

DC Water provides retail water and wastewater services to customers in the District of Columbia. It also provides wholesale wastewater treatment service to Montgomery and Prince George's Counties in Maryland and Fairfax and Loudoun Counties in Virginia. DC Water provides more than 600,000 residents, 17.8 million annual visitors, and 700,000 people who are employed in the District of Columbia with water and sewer/wastewater treatment. The Blue Plains Advanced Wastewater Treatment Plant treats wastewater from jurisdictions in Maryland and Virginia to serve an additional 1.6 million people.



GREATER INDUSTRY TRENDS & LOCAL UTILITY CONTEXT

The services provided by DC Water are central to assuring a sustained vitality of the Washington, D.C. community. According to Charles Fishman, author of a leading water industry book, *The Big Thirst*, a shift toward water scarcity is amplifying as we look to the future, and is occurring on a regional, national, and global scale.

While not all of these are immediately pending challenges, there are several national and regional trends that are particularly significant for DC Water as it works to update and implement Blue Horizon 2020. These include meeting future demands, more stringent regulatory requirements, changes in residential consumption patterns, workforce issues, ensuring financial sufficiency of the organization, and growing concerns about the impact of global climate change. These and other challenges must be considered to adequately plan for the future of DC Water.

10 TRENDS

Prior to the Board Retreat, both Board members and Executive Management were asked to rank the following ten recognized industry trends, which are expected to impact water sector utilities, in terms of their importance and potential impact on DC Water. The following are presented in the order of the assessment of their relative importance to DC Water, and include brief descriptions of the situation facing DC Water for each trend and potential DC Water responses. The responses are embodied in Blue Horizon 2020.

TREND

1

REGULATIONS

SITUATION

The regulatory environment will continue to put pressure on capital budgets. Success will be achieved when the majority of the industry's organizational focus can be shifted to initiatives that are business case-based and less based on mandated responses to regulatory requirements. However, unfunded mandates are expected to continue and increase.

POTENTIAL DC WATER RESPONSE

- ▶ Enhance participation in influencing regulations through increased industry involvement and efforts to communicate with regulators.
- ▶ Continue to improve DC Water's aging infrastructure to maintain and improve product quality and comply with regulatory obligations.
- ▶ Implement comprehensive asset management program.

TREND

2

UTILITY FINANCIAL CONSTRAINTS

SITUATION

Addressing the needs of the industry requires capital and inevitably, increased rates. Resistance to raising rates will require stakeholder support, which requires cost containment and operational efficiency.

POTENTIAL DC WATER RESPONSE

- ▶ Implement process improvements that reflect industry best practices.
- ▶ Enhance communications with stakeholders.
- ▶ Improve the efficiency and effectiveness of DC Water employees.

TREND

3

TECHNOLOGY

SITUATION

The water sector industry will continue to be transformed because of and through the use of advanced technology. Quality and efficiency will be most influenced.

POTENTIAL DC WATER RESPONSE

- ▶ Strategically deploy technology with careful consideration of costs and benefits.

TREND

4

CUSTOMER EXPECTATIONS

SITUATION

Water utility customer expectations have historically been based on whether water flowed from the tap and whether wastewater went away. These minimal expectations are no longer the acceptable standard for the industry. Today, tap water quality is being compared to bottled water quality, and customer service inquiries and problem resolution expectations are redefining how industry customer service departments communicate and respond.

POTENTIAL DC WATER RESPONSE

- ▶ Enhance focus on understanding and meeting or exceeding customer expectations.
- ▶ Improve customer communication and stakeholder outreach.

TREND

5

TOTAL WATER MANAGEMENT

SITUATION

The merging of water environments (water, wastewater and stormwater) will serve as the basis of one water (basin approach) planning and management, which will balance the water environment and lead to better regional planning.

POTENTIAL DC WATER RESPONSE

- ▶ Focus on regional cooperation and collaboration.
- ▶ Consider DC Water role in drinking water treatment.

TREND

6

WORKFORCE ISSUES

SITUATION

The industry is currently transitioning from a workforce of baby boomers to a new generation, which has different values and expectations. As older employees retire, younger replacements will need the knowledge, training, and commitment to continue to provide a high level of quality and service.

POTENTIAL DC WATER RESPONSE

- ▶ Enhance employee recruitment, training and development.
- ▶ Improve employee performance evaluation.
- ▶ Measure and improve workforce productivity.

TREND

7

ENERGY

SITUATION

Energy costs will remain a significant percentage of the total cost to provide utility services. As the cost of energy continues to rise, so will the need to focus on energy efficiency.

POTENTIAL DC WATER RESPONSE

- ▶ Consider energy in best practice identification and operational efficiency initiatives.

TREND

9

INCREASED RISK PROFILE

SITUATION

The risk profile refers to emergency management (natural or man-made disasters), employee safety, and security. The recent hurricane on the northeast coast and the potential for terrorism or other disasters has made this trend increasingly compelling.

POTENTIAL DC WATER RESPONSE

- ▶ Assure appropriate security for the risk profile.
- ▶ Enhance the overall DC Water safety program.
- ▶ Exercise, update and improve emergency preparedness, safety and security plans.

TREND

8

POLITICAL ENVIRONMENT

SITUATION

The political environment is growing more complex and balancing competing interests will require actions to avoid and overcome political disagreements.

POTENTIAL DC WATER RESPONSE

- ▶ Collaborate closely with the governments of all jurisdictions served.
- ▶ Develop and improve relationships with the federal government and members of the congressional delegations from the service area.
- ▶ Work closely with other organizations with mutual interests.

TREND

10

POPULATION CHANGES

SITUATION

Growth and shifts in population within the service area will require appropriate consideration and evaluation of the geographic allocation of resources. Significant growth in population is not expected in the existing DC Water service area.

POTENTIAL DC WATER RESPONSE

- ▶ Monitor population growth trends.
- ▶ Consider new services that can be provided to existing customers.
- ▶ Identify and evaluate opportunities to expand the geographical service area.

SWOT

The DC Water Board and Executive Management conducted a Strengths, Weaknesses, Opportunities, and Threats (SWOT) analysis. As a result, the following were identified and explicitly considered in the development of Blue Horizon 2020.

STRENGTHS

- Leadership and employees
- Financial management capability
- Board governance
- Current performance
- Common vision (board/management)
- Regional support
- Customer service
- Sustainability expertise
- Capital allocation ability

WEAKNESSES

- Aging infrastructure
- Aging workforce/succession planning
- Perceived image
- Messaging of importance of service
- Financial limitations
- Fragmented regulators
- Fragmented industry associations

OPPORTUNITIES

- Improve public perception
- Enhance workforce development
- Leverage regional cooperation
- Capital and asset management program
- Unify industry voice to influence regulations
- Implement more/better technology
- Improve bond rating
- Identify and pursue alternative sources of revenue
- Market DC Water technology and capability
- Expand DC water role in drinking water treatment
- Exploit new environmental ethic

THREATS

- Regulations/unfunded mandates
- Cost of aging/failing infrastructure
- Retirement of knowledgeable employees
- Large capital program risks
- Future availability and cost of resources
- Natural and man-made disasters
- Labor relations issues



CRITICAL SUCCESS FACTORS

The Board and Executive Management discussed the following factors that are important to the long-term success of DC Water.

IMPORTANCE OF COMMUNICATIONS AND OUTREACH

Effective communication with the broad array of DC Water stakeholders should continue and be enhanced. DC Water is vital to the community and its importance should be clearly communicated.

INCREASING THE VALUE OF WATER

Marketing water with the theme of “Water is Life” has been successful and should continue to be developed and enhanced. Rates for water utility services will necessarily increase as a result of increasing regulation and customer service level requirements. However, it should be clear to all that the value of this resource far exceeds the costs to ratepayers.

ALTERNATIVE REVENUE STREAMS

As a premier provider of water-related services, DC Water may be in a unique position to provide additional valuable services to customers, which may offset some otherwise necessary rate increases. These ideas will be identified, evaluate, prioritized and, if appropriate, implemented.

SUSTAINABILITY

Sustainability is receiving increased attention from the water sector industry and DC Water should consider sustainability from a “triple bottom line” perspective (economic, environmental, and social sustainability).

EFFICIENCY

DC Water commits to being an efficient operation that identifies and implements best practices, uses technology strategically, and develops and maintains an efficient and motivated workforce.

REGIONAL COOPERATION AND PARTNERSHIPS

As a regional utility with a broad group of customers and stakeholders, DC Water will improve its operation by collaborating locally, regionally, and nationally to provide the best possible solutions for the benefit of its customers and communities.

DC WATER CHALLENGES & POTENTIAL RESPONSES

Going into the strategic planning process, Executive Management shared an evaluation of the current challenges and potential responses with the Board of Directors.

CHALLENGES

The challenges that must be addressed by DC Water and considered in the strategic plan were identified as:

- ▶ The vital nature and significance of the service provided, which allows little room for error
- ▶ Aging infrastructure
- ▶ Customers lack understanding of the value and significance of DC Water's services unless and until something goes wrong
- ▶ Difficult financial situation with growing unfunded mandates, a relatively stagnant customer base, declining consumption, and resistance to rate increases
- ▶ A risk-averse culture that focuses on short-term service delivery which, while important, can stifle innovation

POTENTIAL RESPONSES

To respond to these challenges, Blue Horizon 2020 suggests that DC Water:

- ▶ Focus significant attention on customer service and customer and stakeholder outreach and communication
- ▶ Embrace technology and innovation to provide better and more cost-effective service in terms of the treatment process and other elements of the DC Water system
- ▶ Improve internal operational processes to increase efficiency, productivity, and service delivery through best practice implementation, whether developed at DC Water or by others
- ▶ Pursue new sources of revenue to help fund current and future operations
- ▶ Achieve a position of leadership locally, regionally, and nationally to enhance credibility and to be at the forefront of innovation and industry knowledge
- ▶ Implement a comprehensive asset management program

LEADING CHANGE AT DC WATER

The DC Water workforce, known as Team Blue, is the foundation for operating as a world-class water utility. In 2011, the DC Water Executive Team launched the Team Blue PACT. The PACT represents the leadership attributes necessary to advance transformational and organization-wide improvements at DC Water: Positive attitude, Accountability, Communication and Teamwork.

In developing Team Blue PACT, the DC Water Management Team defined each of the four PACT elements and their role in the workplace. The Team Blue PACT pledge was established to acknowledge a commitment to behaviors necessary for contributing to and advancing DC Water's mission. Foundational to PACT are the commitments to strive for self-improvement; to lead by example; to advance the greater good; and to take ownership of problems and solutions. Its preamble concludes: "I recognize the need for change to improve DC Water; I will always first consider what I can personally change to make it happen. I am the answer!"

Team Blue PACT will continue to be highlighted in a variety of settings at DC Water and to serve as a guiding framework for implementation of Blue Horizon 2020. The DC Water Management Team has pledged to PACT and their performance factors now reflect its elements; a new Leadership Academy will advance training centered on PACT; workforce recruitment efforts, position descriptions and interview questions will reflect PACT.



THE TEAM BLUE PACT PLEDGE

I hereby acknowledge that the Team Blue PACT describes actions to which I commit as a leader at DC Water. I acknowledge that this document clearly explains the behaviors expected of me in the organization and that it emphasizes the commitment: to strive for self-improvement; to lead by example; to advance the greater good; and to take ownership of problems and solutions. I acknowledge that the definitions of the Team Blue PACT elements – Positive attitude; Accountability; Communication; and Teamwork – describe what I need to do to contribute successfully to the goal of building on DC Water's significant strengths to become a world-class utility. Finally, I pledge that when I recognize the need for change to improve DC Water, I will always first consider what I can personally change to make it happen. I am the answer!

STRATEGIC DIRECTION

BLUE HORIZON 2020

Blue Horizon 2020 serves as a blueprint for future decision-making and provides a structure through which annual reviews can be accomplished to assure that the goals and objectives retain their relevance over time. By laying out a course of action, this plan represents a disciplined process for making fundamental decisions and shaping DC Water's future.

The plan represents the collaboration of the Board of Directors, Executive Management, and the management team, as well as input from key external stakeholders. The plan is designed to be a lasting framework, although updates should be made to goals, objectives, and initiatives as the organization moves forward and circumstances change.

This plan contains the DC Water vision, mission statement, values, goals, objectives, and initiatives. It addresses DC Water's current challenges and helps ensure continued success in operations and management of resources and assets.

DC Water's vision describes the desired future state and guides the organization toward the future, while the mission of the utility describes the purpose of the organization and its role within the service area. Values articulate the deeply-held beliefs, norms, and qualities of the utility, and are the basis from which each DC Water staff member should operate.

FOCUS AREAS

The strategic plan, and the accompanying strategic framework, is the direct result of evaluation and analysis of the elements of the environmental scan and the needs of key stakeholders represented by the DC Water Board. Early in the process, three key themes emerged, which are embodied in Blue Horizon 2020. These have been called focus areas and are:



LEADERSHIP

DC Water will advocate and lead local, regional, and national collaborations, while internally developing the workforce of the future.



VALUE

DC Water will be recognized for the value it delivers by protecting public health and the environment, supporting community sustainability, and providing for economic vitality.



INNOVATION

DC Water will achieve international prominence in development and adoption of science, technology and processes in support of a culture of innovation.

VISION

To be a world-class water utility.

VALUES

Respect: Serve with a positive attitude, courtesy, and respect that engender collaboration and trust.

Ethics: Maintain high ethical standards, accountability, and honesty as we advance the greater good.

Vigilance: Attend to public health, the environment, quality, efficiency, and sustainability of our enterprise.

Accountability: Address challenges promptly, implement effective solutions, and provide excellent service as a committed team.

MISSION

Exceed expectations by providing high quality water services in a safe, environmentally friendly, and efficient manner.

GOALS

The goals, presented on the following pages and the accompanying strategic plan framework, represent the core strategies that DC Water will pursue. The Board and Executive Management believe that they are essential to the achievement of the mission and to becoming a world-class water utility.

OBJECTIVES

Objectives are the strategic measures that will enable the Board and Executive Management to evaluate achievement of the goals. Some of the specific measures will need to be further researched and refined as the organization implements the plan and obtains additional insight and information.

INITIATIVES

Initiatives are the allocation of resources (time and money) to achieve the objectives and the goals.



WORLD-CLASS STATUS

A fundamental response to the challenges faced by utilities today is to cultivate innovation throughout the organization. The DC Water Board is committed to meeting the challenges of the future and leading the organization to world-class status. This encompasses everything from embracing groundbreaking new technologies and maintaining ongoing excellence in treatment and distribution, to evaluating performance and driving improvement in every area of the utility. The implementation of Blue Horizon 2020 will be a critical factor in enabling DC Water to achieve its vision: To be a world-class water utility.

GOAL 1

DEVELOP, MAINTAIN, AND RECRUIT A HIGH PERFORMING WORKFORCE

OBJECTIVES

- 1) Improve employee and internal customer satisfaction levels
- 2) Achieve 100% of employees with required certifications and/or licenses by 2015
- 3) Increase workforce productivity using a composite measure

INITIATIVES

- 1) Develop a comprehensive skills assessment plan for the organization
- 2) Develop and implement a comprehensive leadership development program
- 3) Assess and determine the current succession needs for the organization
- 4) Develop and implement process by which DC Water evaluates non-union employee performance and establish individual performance measures
- 5) Develop and implement process by which DC Water evaluates union employee performance and establish individual performance measures
- 6) Develop and implement process to measure and assess employee and internal customer satisfaction
- 7) Determine and define a composite measure for workforce productivity

GOAL 2

COLLABORATE LOCALLY, REGIONALLY, AND NATIONALLY

OBJECTIVES

- 1) Achieve efficiencies through increased collaboration
- 2) Positively influence laws, policies, and regulations through collaborations

INITIATIVES

- 1) Increase Board and staff collaboration in local, regional, and national activities
- 2) Work with DC City Administrator, Board members from counties, local members of Congress, and others to improve DC Water's interaction with other governmental agencies and jurisdictions at all levels
- 3) Create formal communication channels with organizations with mutual interests
- 4) Support opportunities to provide new services and to expand customer base
- 5) Facilitate implementation of the 2012 IMA agreement
- 6) Achieve leadership roles and seek awards for DC Water and its personnel
- 7) Develop local hiring initiative for contractors

GOAL 3

INCREASE BOARD FOCUS ON STRATEGIC DIRECTION

OBJECTIVES

- 1) Board and committee structure, frequency of meetings, and agendas are focused on the strategic plan
- 2) On-time implementation of initiatives
- 3) Demonstrated progress on the objectives

INITIATIVES

- 1) Create a Board and Committee structure and approach that support the strategic plan
- 2) Use the existing General Manager "dashboard" to evaluate progress on initiatives and attainment of goals and objectives
- 3) Review and evaluate operational data by exception with the Board and Committees

GOAL 4

ENHANCE CUSTOMER/ STAKEHOLDER CONFIDENCE, COMMUNICATIONS, AND PERCEPTION

OBJECTIVES

- 1) Increase customer satisfaction
- 2) Improve stakeholder understanding and support for key issues facing DC Water

INITIATIVES

- 1) Develop a communications inventory including opportunities, communication approaches, and targeted stakeholders
- 2) Establish residential and non-residential customer satisfaction survey to obtain baseline performance data and update results periodically
- 3) Develop and deploy a satisfaction survey for targeted stakeholder groups
- 4) Increase opportunities to communicate with all customers, including those who do not receive a bill

GOAL 5

ASSURE FINANCIAL SUSTAINABILITY AND INTEGRITY

OBJECTIVES

- 1) Develop alternative revenue sources and achieve realistic revenue projections
- 2) Meet capital finance objectives as set by the Board
- 3) Meet affordability targets as set by the Board
- 4) Achieve high stakeholder confidence in financial procedures and results as measured by a stakeholder survey

INITIATIVES

- 1) Identify and evaluate potential revenue-generating opportunities
- 2) Review and update where appropriate all existing financing policies to ensure facilitation of capital financing needs
- 3) Based on 20-year Financial Feasibility Plan, establish policy objectives on affordability
- 4) Assess the effectiveness of current affordability programs and make recommendations for enhancement if needed
- 5) Achieve unqualified audit opinion on the financial statements and resolve all management letter comments

GOAL 6

ASSURE SAFETY AND SECURITY

OBJECTIVES

- 1) Achieve consistent improvement on a composite of national safety indices annually
- 2) Successfully implement appropriate recommendations of the vulnerability assessment
- 3) Implement improvements to the safety program

INITIATIVES

- 1) Develop a comprehensive security master plan to include ongoing reporting and monitoring process
- 2) Implement a safety management software/information system and report on relevant safety metrics
- 3) Establish a safety management system
- 4) Update safety policies, procedures, and training requirements, including emergency response plan
- 5) Enhance safety and security culture through improved training
- 6) Enhance safety and security culture through improved communication

GOAL 7

CONSIDER DC WATER ROLE IN DRINKING WATER TREATMENT

OBJECTIVES

- 1) Determine by the end of fiscal year 2014 whether DC Water should take additional responsibility for drinking water treatment
- 2) Achieve consistent taste and odor quality in drinking water

INITIATIVES

- 1) Conduct a careful study of the potential approach and the costs and benefits of taking direct responsibility for drinking water treatment
- 2) Establish standards that meet or exceed current water quality measures

GOAL 8

OPTIMALLY MANAGE INFRASTRUCTURE

OBJECTIVES

- 1) Replace and/or rehabilitate at least 1% of linear infrastructure annually
- 2) Reduce impact of infiltration & inflow and critical infrastructure failures
- 3) Optimize the ratio of preventative versus corrective maintenance
- 4) Improve cost effectiveness of infrastructure repair and replacement

INITIATIVES

- 1) Complete development of, and implement a comprehensive asset management plan
- 2) Evaluate the use of internal crews versus contractor for repair and replacement of critical infrastructure based on cost, quality, timelines, and training opportunities
- 3) Increase focus on preventative maintenance
- 4) Assess impact of I/I on system and determine fix
- 5) Evaluate alternative technologies to reduce critical failures

GOAL 9

ENHANCE OPERATING EXCELLENCE THROUGH INNOVATION, SUSTAINABILITY, AND ADOPTION OF BEST PRACTICES

OBJECTIVES

- 1) Measure and evaluate specific indices of efficiency
- 2) Increase adoption of sustainability processes and programs
- 3) Achieve top quartile performance against peer group benchmarks
- 4) Receive external recognition for operating excellence and innovation

INITIATIVES

- 1) Determine/define key organizational performance metrics
- 2) Identify and prioritize critical business processes that drive key performance metrics
- 3) Develop plan for key business process performance reporting
- 4) Encourage every member of the DC Water team to identify and implement process improvements
- 5) Reward performance and contributions for improvement
- 6) Identify and advance opportunities to enhance environmental sustainability

IMPLEMENTATION PLANNING & MONITORING

IMPLEMENTATION PLANS

Implementation plans have been developed and will serve as the basis for implementation management. These plans are detailed resource allocation documents and present:

- ▶ Goal Champions, who are Executive Management Team members who will coordinate implementation activities for the strategies addressing each goal
- ▶ Implementation Champions, who are Senior Management Team members with responsibility to achieve key milestones associated with assigned initiatives
- ▶ Individual task assignments
- ▶ Start and end dates for each task
- ▶ Estimated cost of implementation

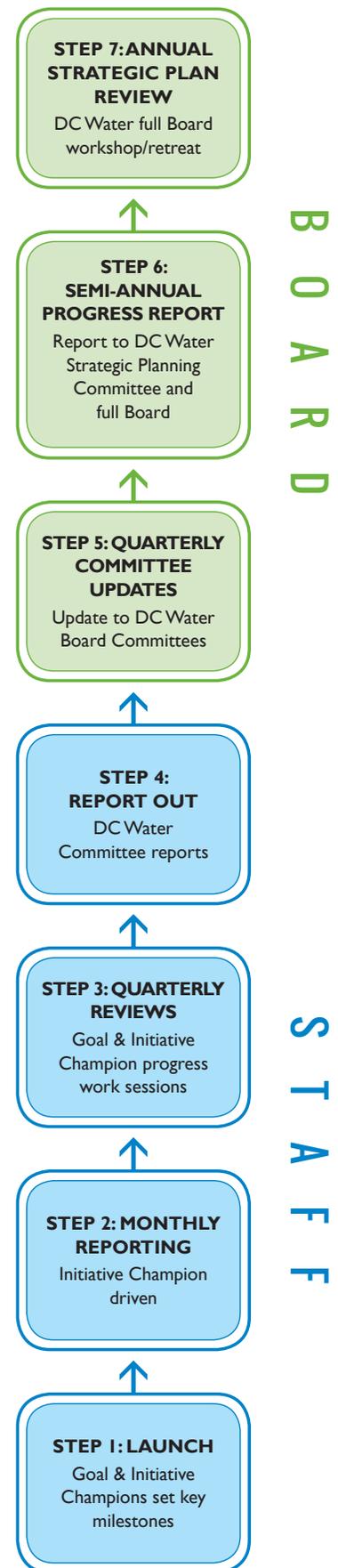
In addition, the overall impact of each initiative has been evaluated by the Executive Management Team from financial, service, and policy perspectives.

IMPLEMENTATION MONITORING

The value of strategic planning is achieved through implementation. To assure continued attention to the strategic plan, a formal monitoring program is being established. It will include review sessions during which the management team will:

- ▶ Evaluate progress
- ▶ Determine if changes need to be made to any of the initiatives
- ▶ Assure that necessary resources are allocated

Periodically, progress on implementation will be reported to the Board and the appropriate Board Committees. The implementation process diagram on this page provides an overview of the implementation, management, monitoring and reporting sequencing.



COMMUNICATIONS

INTERNAL COMMUNICATIONS

Since day-to-day implementation and embodiment of the values requires employee support, it is important that management and employees fully understand and embrace Blue Horizon 2020.

Therefore, management is committed to:

- ▶ Sharing the strategic plan with employees through small group meetings and obtaining and responding to employee feedback
- ▶ Consistently re-enforcing the strategic plan in day-to-day management decisions
- ▶ Recognizing contributions to strategic plan implementation activities
- ▶ Launching and leveraging an updated intranet to enhance viewership and exchange of information with employees
- ▶ Creating posters, cards, and other materials presenting the vision, values, and mission

EXTERNAL COMMUNICATIONS

A program of communication to key stakeholders will also be implemented to introduce Blue Horizon 2020 and publicize ongoing implementation efforts and progress. Techniques such as meetings, distribution of this document and the strategic framework document, sections on the DC Water web site, occasional progress reports, etc. will be directed to key stakeholders including:

- ▶ Customers
- ▶ DC Government
- ▶ County governments
- ▶ Regulators
- ▶ Business Community



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BOARD ROLE GOING FORWARD

A high degree of Board involvement is consistent with the Board's desire to become more focused on strategic issues. This transition can begin through the immediate inclusion of the strategic goals, objectives, and initiatives outlined in this plan as agenda items at Board and committee meetings.

As implementation progresses, the Board will actively review progress in implementing the initiatives and achieving the stated objectives. Steps 5, 6, and 7 in the implementation process diagram (presented on page 19) illustrate the quarterly, semi-annual, and annual strategic plan implementation DC Water Board review process. Goal Champions will provide quarterly progress reports that reveal goal and initiative level progress against key defined milestones. To the extent adjustments to the strategic plan are required, the Board and the appropriate committees will be actively involved in semi-annual and annual reviews of the plan's implementation progress. The goal-level DC Water committee assignments are shown on the following page. Active committee and Board involvement will ensure that implementation of Blue Horizon 2020 is a dynamic, "living" process.

KEY OUTCOMES

Blue Horizon 2020 supports DC Water's need to address its most critical issues by:

- ▶ Establishing an organizational focus on leadership, value, and innovation
- ▶ Providing strategic direction through goals and objectives
- ▶ Implementing internal and external business process improvements that focus on elevating efficiency, productivity, and service delivery
- ▶ Supporting the need to leverage innovation and technology
- ▶ Developing new approaches and methods to meet customer service and stakeholder requirements

COMMITTEES

INTRODUCTION

In order to support the Board's initiative to increase focus on key strategic objectives of DC Water, the DC Water Board has made the following committee assignments which focus on the nine goals of this strategic plan. The committee assignments intend to:

- ▶ Ensure full DC Water Board engagement in providing strategic direction to the Executive Management staff
- ▶ Establish Board and Management accountability requirements through monitoring and reporting of implementation of the strategic plan
- ▶ Have only one committee assigned to each goal
- ▶ Ensure that each committee is assigned at least one goal

COMMITTEE ASSIGNMENTS

GOAL	COMMITTEE	GOAL CHAMPION	
1	Develop, Maintain, and Recruit a High Performing Workforce	Human Resources/Labor Relations Committee	Katrina Wiggins
2	Collaborate Locally, Regionally, and Nationally	Governance Committee	John Lisle
3	Increase Board Focus on Strategic Direction	Strategic Planning Committee	Randy Hayman
4	Enhance Customer/Stakeholder Confidence, Communications, and Perception:	DC Retail and Sewer Rates Committee	Charlie Kiely
5	Assure Financial Sustainability and Integrity	Finance & Budget Committee	Mark Kim
6	Assure Safety and Security	Water Quality and Water Services Committee	Walter Bailey
7	Consider DC Water Role In Drinking Water Treatment	Water Quality and Water Services Committee	Charlie Kiely
8	Optimally Manage Infrastructure	Environmental Quality and Sewerage Services Committee	Len Benson
9	Enhance Operating Excellence Through Innovation, Sustainability, and Adoption of Best Practices	Audit Committee	Chris Carew

The implementation of Blue Horizon 2020 will be a critical factor in enabling DC Water to achieve its vision:

To be a world-class water utility.



dc water is life PUBLIC AFFAIRS

dc water is life PUBLIC AFFAIRS

PUBLIC AFFAIRS

PUBLIC AFFAIRS

Historic District

SPEED LIMIT

Smithsonian Anacostimuseum
Frederic Douglas Historic

A B

A B

Water is life
FREE

Water is life
DC WATER

FRAMEWORK

INITIATIVES

GOALS

OBJECTIVES

DEVELOP, MAINTAIN, AND RECRUIT A HIGH PERFORMING WORKFORCE

- 1) Improve employee and internal customer satisfaction levels
- 2) Achieve 100% of employees with required certifications and/or licenses by 2015
- 3) Increase workforce productivity using a composite measure

- 1) Develop a comprehensive skills assessment plan for the organization
- 2) Develop and implement a comprehensive leadership development program
- 3) Assess and determine the current succession needs for the organization
- 4) Develop and implement process by which DC Water evaluates non-union employee performance and establish individual performance measures
- 5) Develop and implement process by which DC Water evaluates union employee performance and establish individual performance measures
- 6) Develop and implement process to measure and assess employee and internal customer satisfaction
- 7) Determine and define a composite measure for workforce productivity

COLLABORATE LOCALLY, REGIONALLY, AND NATIONALLY

- 1) Achieve efficiencies through increased collaboration
- 2) Positively influence laws, policies, and regulations through collaborations

- 1) Increase Board and staff collaboration in local, regional, and national activities
- 2) Work with DC City Administrator, Board members from counties, local members of Congress, and others to improve DC Water's interaction with other governmental agencies and jurisdictions at all levels
- 3) Create formal communication channels with organizations with mutual interests
- 4) Support opportunities to provide new services and to expand customer base
- 5) Facilitate implementation of the 2012 IMA agreement
- 6) Achieve leadership roles and seek awards for DC Water and its personnel
- 7) Develop local hiring initiative for contractors

INCREASE BOARD FOCUS ON STRATEGIC DIRECTION

- 1) Board and committee structure, frequency of meetings, and agendas are focused on the strategic plan
- 2) On-time implementation of initiatives
- 3) Demonstrated progress on the objectives

- 1) Create a Board and Committee structure and approach that support the Strategic Plan
- 2) Use the existing General Manager "dashboard" to evaluate progress on initiatives and attainment of goals and objectives
- 3) Review and evaluate operational data by exception with the Board and Committees

ENHANCE CUSTOMER/STAKEHOLDER CONFIDENCE, COMMUNICATIONS, AND PERCEPTION

- 1) Increase customer satisfaction
- 2) Improve stakeholder understanding and support for key issues facing DC Water

- 1) Develop a communications inventory including opportunities, communication approaches, and targeted stakeholders
- 2) Establish residential and non-residential customer satisfaction survey to obtain baseline performance data and update results periodically
- 3) Develop and deploy a satisfaction survey for targeted stakeholder groups
- 4) Increase opportunities to communicate with all customers, including those who do not receive a bill

ASSURE FINANCIAL SUSTAINABILITY AND INTEGRITY

- 1) Develop alternative revenue sources and achieve realistic revenue projections
- 2) Meet capital finance objectives as set by the Board
- 3) Meet affordability targets as set by the Board
- 4) Achieve high stakeholder confidence in financial procedures and results as measured by a stakeholder survey

- 1) Identify and evaluate potential revenue-generating opportunities
- 2) Review and update where appropriate all existing financing policies to ensure facilitation of capital financing needs
- 3) Based on 20-year Financial Feasibility Plan, establish policy objectives on affordability
- 4) Assess the effectiveness of current affordability programs and make recommendations for enhancement if needed
- 5) Achieve unqualified audit opinion on the financial statements and resolve all management letter comments

ASSURE SAFETY AND SECURITY

- 1) Achieve consistent improvement on a composite of national safety indices annually
- 2) Successfully implement appropriate recommendations of the vulnerability assessment
- 3) Implement improvements to the safety program

- 1) Develop a comprehensive security master plan to include ongoing reporting and monitoring process
- 2) Implement a safety management software/information system and report on relevant safety metrics
- 3) Establish a safety management system
- 4) Update safety policies, procedures, and training requirements, including emergency response plan
- 5) Enhance safety and security culture through improved training
- 6) Enhance safety and security culture through improved communication

CONSIDER DC WATER ROLE IN DRINKING WATER TREATMENT

- 1) Determine by the end of fiscal year 2014 whether DC Water should take additional responsibility for drinking water treatment
- 2) Achieve consistent taste and odor quality in drinking water

- 1) Conduct a careful study of the potential approach and the costs and benefits of taking direct responsibility for drinking water treatment
- 2) Establish standards that meet or exceed current water quality measures

OPTIMALLY MANAGE INFRASTRUCTURE

- 1) Replace and/or rehabilitate at least 1% of linear infrastructure annually
- 2) Reduce impact of infiltration & inflow and critical infrastructure failures
- 3) Optimize the ratio of preventative versus corrective maintenance
- 4) Improve cost effectiveness of infrastructure repair and replacement

- 1) Complete development of, and implement a comprehensive asset management plan
- 2) Evaluate the use of internal crews versus contractor for repair and replacement of critical infrastructure based on cost, quality, timelines, and training opportunities
- 3) Increase focus on preventative maintenance
- 4) Assess impact of I/I on system and determine fix
- 5) Evaluate alternative technologies to reduce critical failures

ENHANCE OPERATING EXCELLENCE THROUGH INNOVATION, SUSTAINABILITY, AND ADOPTION OF BEST PRACTICES

- 1) Measure and evaluate specific indices of efficiency
- 2) Increase adoption of sustainability processes and programs
- 3) Achieve top quartile performance against peer group benchmarks
- 4) Receive external recognition for operating excellence and innovation

- 1) Determine/define key organizational performance metrics
- 2) Identify and prioritize critical business processes that drive key performance metrics
- 3) Develop plan for key business process performance reporting
- 4) Encourage every member of the DC Water team to identify and implement process improvements
- 5) Reward performance and contributions for improvement
- 6) Identify and advance opportunities to enhance environmental sustainability

VISION

To be a world-class water utility

VALUES

RESPECTFUL
Serve with a positive attitude, courtesy, and respect that engender collaboration and trust

ETHICAL
Maintain high ethical standards, accountability, and honesty as we advance the greater good

VIGILANT
Attend to public health, the environment, quality, efficiency, and sustainability of our enterprise

ACCOUNTABLE
Address challenges promptly, implement effective solutions, and provide excellent service as a committed team

MISSION

Exceed expectations by providing high quality water services in a safe, environmentally friendly, and efficient manner

FOCUS AREAS

LEADERSHIP
DC Water will advocate and lead local, regional, and national collaborations, while internally developing the workforce of the future

VALUE
DC Water will be recognized for the value it delivers by protecting public health and the environment, supporting community sustainability, and providing for economic vitality

INNOVATION
DC Water will achieve international prominence in development and adoption of science, technology and processes in support of a culture of innovation





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