

FIVE YEAR STRATEGIC PLAN



Lancaster Area Sewer Authority

Lancaster, Pennsylvania

Approved July 25, 2019



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Overview of the Authority's Strategic Planning Process

In 2018, the Lancaster Area Sewer Authority (LASA, or "the Authority") Board and Executive Director agreed it was time to review the previous strategic plan and develop the Authority's next long-term strategic plan with the Board and key staff. The previous strategic plan was completed in 2015 and much had changed since then in the industry and within LASA. The following Board Members participated in this process: Barry Smith, Tom Huber, Nick Sahd, Ed Fisher, Bill Laudien, Al King and Roy Weitzel. The management team included Mike Kyle, Albert Knepp, Brian Wilcox, Mike Lehman, Scot Fertich, and Carol Herr.

The Board and management team also agree to use a third-party consultant to facilitate the strategic planning process as it had done previously. Bruce Nilson of Bruce Nilson Associates, Inc., was selected to facilitate the planning process. Bruce is a Certified Management Consultant with more than 30 years of experience facilitating strategic planning for both for-profit businesses and nonprofit organizations and working closely with boards and management teams.

The Authority Board Chair and Executive Director worked closely with Bruce to establish a planning schedule that included a series of strategic planning sessions held from October 2018 through March 2019 (with the exception of November) immediately following the Board's monthly board meetings.

Throughout the process the emphasis was on thinking strategically with the understanding that later the management team would determine what tactics (goals) and resources would be required to support the Authority's overall strategy. During the strategy sessions the group considered many external factors that could affect LASA such as industry trends, environmental regulations, emerging technologies, regional demographics, needs of municipalities, competitors and the trend of privatization among some authorities statewide and nationally. The group also discussed internal factors including the Authority's current overall health, infrastructure, staffing and competitive advantages. Industry related articles and performance data on the Authority were also considered by the group as part of the strategy discussions.

After concluding the planning sessions, Bruce worked with the management team to prepare a draft strategic plan using the output from all the sessions. The draft plan included a set of four Strategic Objectives along with a set of strategic goals with start and complete dates, lead persons responsible, and resource requirements. The final draft of the strategic plan was reviewed by the management team before being submitted to the Board for their review and approval at a Board meeting. Upon Board approval, the management team will put the plan into action by completing the strategic goals.

About the Authority

The Lancaster Area Sewer Authority is a regional municipal authority formed under the Municipality Authorities Act of 1945. The Authority was incorporated March 17, 1965, began construction of facilities in 1969, and began operation in 1972. The Authority was originally incorporated in 1966 by six Lancaster County municipalities (the Townships of Manor, East Hempfield, West Hempfield, Manor, and Lancaster, and the Boroughs of East Petersburg and Mountville). In 1979 Manheim Township joined as a seventh incorporating member.

Elected officials of each of the current seven incorporating member Townships or Boroughs appoints one Authority Board Member, hence there are currently seven Authority Board members. The Authority's Articles of Incorporation specify that the purpose of the Authority is "... to construct or otherwise provide the facilities necessary to furnish the treatment of sewage from the incorporating municipalities and from such adjoining political subdivisions or areas as desire the service."

Over the last twenty years the Authority has grown from serving 17,000 customers to currently serving over 38,000 customers, representing a population of about 108,000, or about 23% of the County population. The Authority has made two major acquisitions; the Manheim Township system in 2003 and the Columbia Borough system in 2016. The Authority currently owns and operates 600 miles of pipeline, 38 pumping stations, and a 15 MGD treatment facility. It operates and maintains the system with 44 full time employees and multiple contracted services. Total revenue in 2018 was about \$24.5 Million.

State of the Organization/Strategic Issues Facing the Authority Today

During the planning process the following strategic issues facing the Authority were considered:

Privatization or take over: There is fierce competition in the water and sewer business in Pennsylvania, evidenced by several recent take overs of municipal systems by the private sector. As a result, the continuing existence of the Authority is at jeopardy from a possible privatization or take over by the private sector. While the probability of such a takeover is not great (because the Authority is in good fiscal shape and since all seven incorporating municipalities would need to approve such a takeover), the magnitude of the consequences makes privatization a strategic issue.

Relationship with public officials and customers: Building stronger positive relationships with Authority customers and municipal officials is key in maintaining the Authority's existence. In the event of a privatization attempt, it has been shown that when municipal partners and rate payers are well armed with information provided by the Authority, and the Authority has developed a trusting relation with the municipality and the public, there is less chance a privatization effort will be successful. Excellent customer service and strong relationships with municipal partners and other stakeholders also help mitigate adverse public response to rate increases and other public relations problems.

Environmental stewardship: Part of building a more positive relationship with the public is to demonstrate the Authority's leadership role in protecting the environment and engaging in the local community. Customers and other stakeholders are more prone to support an Authority that demonstrates environmental stewardship through projects (like the Biosolids re-use) as well as through Authority employee volunteer efforts.

More stringent regulations: Significant external forces on the Authority include state and federal laws and regulations. To a large extent, government dictates the Authority's operating standards and levels of treatment, Biosolids handling and re-use rules, storm water management requirements, human resource procedures, record management, and other aspects of how the Authority manages its employees and operates its facilities.

Growth in the service area and expansion of services provided to municipalities: Promoting growth of the Authority service area is a current strategy to provide for economies of scale, resulting in lower costs per customer and ultimately mitigating rate increases and providing for more sustainable rates. Expansion of services to member municipalities has also been a strategy, in part to generate excess revenue to offset operating costs but also to build stronger relationships with those municipalities.

There is consensus of the Board that the primary goal of the Authority is to continually improve the quality of the services it provides to its current municipal partners. Decisions on expanding the service area and/or providing additional services will depend on the consequences of the expansion and on the needs and desires of the Authority's partner municipalities regarding additional services like storm water and on-lot system management.

Workforce development and succession planning: When rating internal strengths and weaknesses, improving work force capacity, development, and succession planning were identified as priorities. The water industry is experiencing an exodus of employees, primarily because many Authorities like LASA were formed and construction of many treatment plants occurred in the early 1970s due to the Clean Water Act of 1972 - LASA was formed in the late 1960s and its treatment plant was constructed in the early 1970's. Many Authority employees were hired in the 1970s and 1980s, and over one-quarter of its current employees are eligible to retire within the next five years. Although there is a staff succession plan, it is five years old and needs updated, and it lacks an Executive Director succession strategy.

Aging infrastructure and capacity limitations: Much of the Authority's infrastructure is fifty years old, with some even older in Manheim Township and Columbia Borough. Also, the Authority has averaged nearly 400 new connections every year over the past decade and has added significant growth through acquisitions since 2003. The amount of pipeline owned and maintained by the Authority has more than doubled over the last two decades, from 230 miles in the year 2000 to over 600 miles currently.

As a result, many of the assets of the Authority are nearing their useful lives, and the system is nearing capacity in several areas. Improving condition assessment and asset management, evaluating the Authority pump stations, and providing sufficient funding levels for rehabilitation and replacement will assure that the Authority can provide quality service to its current municipal partners and potential growth areas into the future.

Use of technology: During the nearly fifty years of the Authority's existence, the level of technology in the water industry has exploded. Technology can improve how it delivers services and also improve efficiencies. Effective use of technology in the administrative area (human resources, finance, customer service, communications), field operations, and plant operations, coupled with training and development of the workforce in the use of the technologies, will help create a more sustainable Authority of the future.

Affordability of rates: Although current rates for customers within the Authority service area are reasonable compared to other agencies in the region, a projected 3.5% rate increase per year will be needed every year through the next fifty years to maintain and rehabilitate or replace the system. The demographics and financial health of the customers within the Authority service area continues to change, highlighted by the recent addition of Columbia Borough. If the Authority is to be sustainable it must address affordability of its rates in the entire service area.

The Authority's Competitive Advantages

Every thriving organization needs to have at least one true competitive advantage, i.e, something the company has or does exceptionally well that gives it an advantage over most competitors. Competitive advantages are important in order to keep current customers/clients as well as attract new ones. Competitive advantages are also very important to aid in defending oneself against competitors who do not have these. Most companies typically have more than one competitive advantage. In order to be sustainable over time, it is very important to understand your competitive advantage(s) and to maintain them and invest in them.

The Board and management team identified the following competitive advantages that the Authority has developed over many years that enable it to remain competitive:

1. **Expertise:** The Authority has a strong competitive advantage with its management team and technical staff, who understand the industry and what it takes to run a municipal authority.
2. **Solid infrastructure:** The Authority has made substantial investments in building and maintaining a reliable treatment plant, pump stations, and pipe infrastructure throughout the municipalities it serves, with a maintenance schedule to ensure it meets current and future customer needs.
3. **Trusted relationships:** The Authority has built trust based on long-term relationships and working closely with its member municipalities and the City of Lancaster.
4. **Size:** The Authority's size and broad customer base allows it to reinvest in systems and manage rates.
5. **Financial position:** A strong financial base enables the Authority to reinvest in its infrastructure and attract the best possible talent and manage costs and remain independent.

Mission and Vision

The Authority's Mission is "Quality Service at Reasonable Cost", while its' Vision is "Driving Decisions and Delivering Solutions".

The Authority's Mission "Quality Service at Reasonable Cost" captures the organizational goal of balancing service and cost, understanding that a high level of service comes at a cost. While it is an idealist goal to provide perfect service to every stakeholder, at some point costs exceed the benefit. The goal of the Authority is to provide the best service possible while maintaining rates that are reasonable and affordable.

The Authority's Vision "Driving Decisions and Delivering Solutions" captures the Authority's desire to control its own destiny and pro-actively provide solutions to problems. Instead of being led by other's decisions, the Authority wants to drive or control those decisions and thereby control its own future. One way the Authority has played out its Vision is by pro-actively addressing risk through construction of the Biosolids upgrade and planning for the treatment plant upgrade. In the same way, instead of just complaining about concerns like the risk associated with Class B Biosolids disposal, the Authority is actually delivering solutions to those concerns.

Strategic Intent/Direction

The Board and management team recognize the importance of establishing and agreeing on a specific direction for the Authority to intentionally pursue over the next five to ten years. The strategic goals and all of operations as well as resources and strategic partnerships will eventually need to be evaluated for alignment with this stated direction.

What the Authority could ideally look like in ten to twenty years:

- a. **Scope of services:** Operating a closed loop system that re-uses water, generates power, and integrates with other facilities in Lancaster County as the population continues to grow.
- b. **Types of services:** Offering more support services to ensure it stays competitive and meets future EPA mandates and regulations. Will have determined what role the Authority will have with storm water in the municipalities it serves.
- c. **Service area and service quality:** Expanding service area within Lancaster County and beyond, but only when the expansion improves delivery of services to the current customers and municipalities it serves.
- d. **Financials/rates:** Maintaining strong financial health with a long-term rate structure in place to continue providing reasonable rates to its customers.
- e. **Infrastructure:** A long term capital improvement plan and schedule for reinvesting in upgrading its treatment plant and other infrastructure using the latest technologies for both operations and customer interactions.
- f. **Leadership:** Continuing strong leadership and oversight of the authority with leadership development and succession plans in place for both the Board and management
- g. **Staff Expertise:** Attracting and investing in the best talent to maintain its competitive advantage in expertise as industry practices and standards continue to change and increase.
- h. **Community Involvement:** Continuing to maintain its visibility in the municipalities it serves and maintain its image and reputation as a quality service provider throughout Lancaster County.
- i. **Environmental:** Maintaining compliance with all regulations and permit requirements and anticipating and helping to shape future legislation that will ensure the Authority's ability to operate and meet customer needs while also demonstrating good environmental stewardship.