

FIVE YEAR STRATEGIC PLAN



Lancaster Area Sewer Authority

Lancaster, Pennsylvania

Approved August 24, 2023



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Overview of the Authority's Strategic Planning Process

In 2022, the Lancaster Area Sewer Authority (LASA, or "the Authority") Board and Executive Director agreed it was time to review and update the 2019 strategic plan due to many changes over the past three years. These changes included the COVID pandemic in 2020, the Authority's increased service area, and changes in the makeup of the Board. The following Board Members participated in the 2022-2023 planning process: Barry Smith, Tom Huber, Nick Sahd, Ed Fisher, Bill Laudien, Barry Kauffman, and Derrick Millhouse. The management team included Mike Kyle, Mike Lehman, Scot Fertich, Brian Wilcox, John Vilga, and Don DeClementi.

The Board and management team agreed 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 who also facilitated the Authority's strategic planning process in 2019. 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 involved a series of four strategic planning sessions held intermittently from October 2022 through April 2023 as part of the Board's regular monthly meetings.

During the sessions the Board and management team was encouraged to think strategically and long-term throughout the process with the understanding that later the management team would determine what tactical goals and resources would be required to execute the Authority's strategic plan. 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. Internal factors were also considered including the Authority's current overall health, infrastructure, staffing levels and the Authority's competitive advantages. The Board and team also identified core values and discussed possible changes to the Authority's mission statement and vision. Industry related articles and data related to the Authority's capacity and performance were also considered by the group during 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 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. Following Board approval, the management team will identify the operational goals required to implement the strategic plan and provide regular updates on progress to the Board at their monthly Board meetings.

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 41,000 customers, representing a population of about 125,000, or about one quarter of the Lancaster County population. Over the past 20 years, the Authority has made several major acquisitions; the Manheim Township system in 2003, the Columbia Borough system in 2016, and the West Earl Township system in 2020. The Authority currently owns and operates 630 miles of pipeline, 45 pumping stations, and two wastewater treatment facilities. It operates and maintains the system with 50 full time employees and multiple contracted services. Total revenue in 2022 was about \$30.7 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 remains 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 required treatment, Biosolids handling and re-use rules, human resource procedures, record management, and other aspects of how the Authority operates its facilities and manages its employees.

Growing LASA's service area: Consideration of growth opportunities outside 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. There is Board consensus 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.

Workforce development and succession planning: When rating internal strengths and weaknesses, improving work force capacity remained as a priority. The water industry is experiencing a large exodus of employees as many who were hired in the late 1960's and 1970's are retiring or will be eligible to retire within the next five years. Authorities like LASA were formed in the late 1960's and construction of many treatment plants occurred in the early

1970s due to the Clean Water Act of 1972. Although there is a staff succession plan, it is over five years old and needs to be updated and include 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 630 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, implementing the recent collection system master plan, completing the current main treatment plant upgrade, 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 over 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 necessary in order to keep current customers as well as attract new ones. Competitive advantages also help in defending oneself against competitors who may not have these. Most companies typically have more than one competitive advantage. In order to be sustainable over time, it is very important that everyone at LASA understand the organization's competitive advantage(s) to maintain and continue investing 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:

Expertise: The Authority has a strong competitive advantage with its experienced management team and technical staff who understand the industry and what it takes to run a municipal authority.

Solid infrastructure: The Authority continues to make substantial investments in building and maintaining reliable treatment plants, pump stations, and pipe infrastructure throughout the municipalities it serves, with an ongoing maintenance schedule to ensure it can meet current and future customer needs.

Trusted relationships: The Authority has developed long-term trusted relations with its member municipalities and the City of Lancaster, and continues to improve those working relationships.

Size: The Authority's size and broad customer base allows it to reinvest in systems and manage rates.

Financial: 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 Core Values

The Authority's Mission "Committed to superior wastewater management to protect the community, public health, and the environment" captures the organizational goal of providing quality wastewater management service which benefits the community's public health and the environment.

The Authority's four Core Values support our Mission by expressing the values, beliefs and philosophy that guides our daily actions. They make up the framework of our organization and reinforce our professional work ethic.

1. Integrity and trust

We aspire to the highest degree of integrity, honesty, trust, and respect in our interaction with each other, our suppliers, our customers, and our community.

2. Protect the environmental and public health

We will be stewards of the natural environment, and will protect the public health of the communities we serve.

3. Customer commitment

We will provide first class service to our customers, treat them with respect, and respond quickly and courteously to concerns and inquiries.

4. Employee commitment

We will encourage and support teamwork, problem solving, collaboration, and continuous learning for our many talented employees, and will recognize, acknowledge, and reward excellence.

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 several years to remain a public authority. 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:

Scope of services: Operating an integrated system that re-uses water, generates power, and works closely with other facilities in Lancaster County as the population continues to grow.

Types of services: Offering more support services to ensure that the Authority remains public, stays competitive and is able to meet all future EPA mandates and regulations.

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.

Financials/rates: Maintaining strong financial health with a long-term rate structure in place to continue providing reasonable rates to its customers.

Infrastructure: A long term capital improvement plan and schedule for reinvesting in upgrading its treatment plants and other infrastructure using the latest technologies for both operations and customer interactions.

Leadership: Continuing strong leadership and oversight of the Authority with leadership development and succession plans in place for both the Board and management.

Staff Expertise: Attracting and investing in the best talent to maintain our competitive advantage in expertise as industry practices and standards continue to change and increase.

Community Involvement: Continuing to maintain our visibility in the municipalities we serve and maintaining our image and reputation as a quality service provider throughout Lancaster County.

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.

Strategic Objectives and Goals 2023 and Beyond

The Authority Board adopted four Strategic Objectives 1) Expand system, 2) Improve sustainability of the assets, 3) Improve sustainability of the organization, and 4) Encourage environmental stewardship. The management team has identified strategic goals based on each of the Authority's Strategic Objectives, each subject to change over time. These goals span the timeframe 2023 – 2028.

Communication, Implementation, and Resources

Communication: Upon approval by the Authority's Board, the Executive Director and management team will determine the best way to communicate and share the strategic plan with LASA employees so they have a clear understanding of where the organization is headed, what are the priorities and the importance of their role in helping to execute the goals in the strategic plan.

Implementation: All of the operational goals established by the management team will be aligned to one of the four strategic objectives in the strategic plan. Each of the goals will be assigned to specific individuals who will be responsible to provide leadership and ensure progress toward the goals and successful completion. All goals will be tracked and performance will be discussed at management team meetings scheduled by the Executive Director.

Goals may be revised, as needed, as operating conditions change and opportunities emerge during the year. The Executive Director will provide regular updates to the Board at their monthly board meetings regarding progress, and will propose to the Board any revisions to the plan that may be necessary based on new opportunities or changes in the operating environment.

Resources: The resources required to support successful execution of the goals will be determined by the management team and included in the annual budget that is approved by the Board. Some of the resources needed may already be part of the current 2023/24 annual budget, while others may require an amendment to the current budget or postponement until they can be included in the 2024/25 budget. The resources required to support specific goals may include staff time, professional fees for outside contractors, equipment, operating expenses, etc.