

CAPITAL REGION WATER
2020 Budget Address
Charlotte A. Katzenmoyer, Chief Executive Officer

This proposed budget reflects Capital Region Water's values and articulates immediate priorities for the coming year. These priorities and recommendations are based on input gathered over the past several months from employees, community stakeholders, and customers. Feedback garnered through hundreds of emails and phone conversations, meetings with community stakeholders, comments at public meetings, and input from staff and Board of Directors provides clear direction as to Capital Region Water's organizational focus and priorities in the year ahead. Those priorities are:

1. Address affordability issues.
2. Establish financial stability and improve organizational efficiency.
3. Invest in infrastructure.
4. Develop the workforce.
5. Enhance and preserve environmental resources.

These are not new priorities, nor will they be accomplished in one year. That said, without clear focus, sustained commitment of resources, and proactive management, Capital Region Water will have limited success in achieving our organizational goals and fulfilling our mission.

**10-Year Capital Improvement Plan/Financial Forecasting to
Achieve Rate Smoothing/Stabilization and Affordability**

It is essential that long-term approaches to meeting Clean Water Act (CWA) objectives are sustainable and within a community's financial capacity. The community's financial capability and other relevant factors are important when developing appropriate compliance schedules designed to safeguard both public health and environmental protection.

As part of our Long-Term Control Plan (LTCP) for the City's combined sewer system, Capital Region Water has completed a Financial Capability Assessment (FCA). That assessment is required by USEPA to help determine the schedule to complete the necessary work outlined in the approved LTCP. USEPA's guidance recommends that communities with higher burdens be given longer time periods to complete the needed work. Based on the FCA completed for Capital Region Water's service area, Harrisburg meets the threshold for a high level of financial burden. How long we have to meet CWA objectives is still on the table in our negotiations with USEPA. Annual budgets that include capital spending on LTCP projects must consider those ratepayers who can least afford to shoulder the burden of year-after-year increases in water and sewer rates. For this reason, CRW's Board of Directors has committed non-rate revenues from the water and sewer funds to establish a Customer

Assistance Program in 2020 which will be available to assist those customers who live below the federal poverty level. As the details of that program are finalized in the second quarter of 2020, we will inform our customers so that they may avail themselves of this opportunity.

Beginning this year, Capital Region Water began employing a multi-year financing model to ensure the availability of funding for major capital improvement projects. Forecasting over a 10-year horizon, funding options evaluated include: rate-based financing (PayGo), drawing on cash reserves, rate-subsidized borrowing, or the issuance of revenue bonds. Each option is evaluated over a long-term schedule that allows for incorporating debt service repayment into rate changes. Simply stated, a 10-year Capital Improvement Plan allows for better managed cash reserves, debt service, and capital funding while reducing the need for sudden or unanticipated rate spikes. This strategy will help us achieve our goal of rate smoothing.

Organizational Structure /Consolidation and Improving Efficiencies

Capital Region Water is committed to fiscal responsibility, excellent customer service, transparency and accessibility, and workforce development and retention.

In keeping with these commitments and in anticipation of the September 2020 expiration of the lease of our current downtown offices, we set out to evaluate alternatives to leasing and to location. Specific criteria were established for evaluating a new location versus renewing our current lease.

- The location must improve efficiencies through consolidation of two locations into one to improve team cohesiveness; provide additional space for future growth; and improve accessibility to our customers.
- The location must be accessible via public transportation.
- The location must be a cost-effective, long-term investment when compared to leasing alternatives.
- The location must improve security at the Water Services Center by eliminating public access to a critical facility.

After reviewing various options, the Board of Directors decided to move forward with the purchase of 3003 North Front Street as having met all the goals set forth above.

In addition to improving operational efficiencies by consolidating two locations into one, we continue to improve organizational efficiencies by restructuring various departments. Taken together, these actions help fulfill our commitment to our customers and to our workforce.

Use of Technology to Enhance Efficiency and Reduce Operational Costs

From enhancing our on-line presence to devising ways to get more pipe in the ground, Capital Region Water must continuously improve how we deliver services and at what cost.

This proposed 2020 budget allocates resources to an updated website with an improved customer interface; and invests in repairs and replacement of aging infrastructure after decades of deferred maintenance. We will have completed televising all 160 miles of sewers within our system in 2022, to identify those in greatest need of repair or replacement. Allocating meaningful investment in infrastructure must remain a priority.

Employee Recruitment, Retention and Engagement

Utilities and other industries across the country are facing a “silver tsunami” of workers nearing retirement age. With a third of the workforce eligible for retirement in the next decade, Capital Region Water is no exception. Each of these 40 employees have a very long tenure and a loss of their decades of experience will have an impact on service delivery. In order to minimize any negative impact, investment must be made in employee recruitment and retention, and in workforce development. We are devoting new efforts and resources to employee recruitment, creating educational opportunities to create a career pipeline, and offering summer employment opportunities to connect Harrisburg students with workforce training and career opportunities.

Clean Streets at a Lower Cost

Street sweeping protects public health and preserves the environment by preventing pollutants and road contaminants from being carried by stormwater into storm drains and flowing into our local waterways. Street sweeping also helps meet requirements under which CRW must operate and maintain our collection system, i.e. the Nine Minimum Control Measures, and the MS4 Program.

In 2017, CRW assumed direct responsibility for street sweeping from the City of Harrisburg. In April of that same year, DBi Services was awarded the street sweeping contract and commenced street sweeping activities at an annual cost of \$576,000 (this does not include disposal costs paid by CRW).

Bringing street sweeping services in-house will provide CRW with an annual cost savings of \$153,500. In the 2020 budget, we have budgeted for six months of continued service with DBi Services until we can purchase the street sweepers and hire the five additional personnel needed for us to self-perform this service.

Compliance with new Federal Regulations

Under the newly enacted America's Water Infrastructure Act (AWIA), drinking water systems are required to conduct risk and resilience assessments and revise emergency response plans (ERPs). AWIA expands upon previous federal legislation (i.e. The Bio Terrorism Act of 2002) to now include specific language pertaining to cybersecurity, financial infrastructure and malevolent acts. To be comprehensive and exhaustive, a good risk assessment upon which actionable decisions can be made, must value, evaluate and prioritize thousands of asset-threat combinations. No later than six months after completing their risk assessments, systems must also certify completion of emergency response plans that address how the system would respond to threats identified by the assessment. CRW is required to submit our initial certifications of compliance with AWIA by December 31, 2020. This 2020 budget includes additional expenses associated with completing this risk and resilience assessment. Future budgets will include the capital expenses to complete the upgrades to our facilities that are identified in this year's assessment. Every five years, utilities will be required to certify to USEPA that they have reviewed their assessment and have made any necessary revisions.

Update and Implement Strategic Plan

"A vision and strategy aren't enough. The long-term key to success is execution. Each day. Every day." Richard M Kovacevich

We are in the process of updating our Strategic Plan, but the most critical component is execution and alignment of our team to achieve successful execution. We are refocusing our efforts in 2020 to complete this update and have our roadmap to ensure its execution. As we update our website, more information will be provided to provide transparency on our execution of our Strategic Plan.

You can access the full budget here: <https://capitalregionwater.com/financialreports/>