Case Study
Louisville / Jefferson County Metropolitan Sewer District
One Water Business Process Mapping

Background

The One Water effort between the Louisville and Jefferson County Metropolitan Sewer District (MSD) and the Louisville Water Company (LWC) has focused on governance and shared services initiatives. A merger of the two organizations was considered; however, it was determined that this was not the best approach due to the unique governance structures of the two entities. Therefore, a shared services methodology was pursued. As the shared services concept was developed, it was necessary to document boundary conditions that guided the work activities of the team. The As-Is Business Process flows illustrate the steps taken to date. The To-Be Business Process flows illustrate minimal changes to the governance process, a refined shared services path, and a new revenue (innovation) concept to pursue.

LWC and MSD have varied and extremely unique structures. A summary of each organization’s structure is provided below.

Governance Background

LWC was established as an Investor Owned Utility (Private Corporation), 100% of the corporation stock is owned by the City of Louisville. Its operations are governed by the Board of Water Works, whose members are appointed by the Mayor of Metro Louisville.

MSD is a public entity established as a separate district to provide wastewater, stormwater, and flood protection to Metro Louisville and Jefferson County. Operations are governed by the MSD Board whose members are appointed by the Mayor of Metro Louisville. Previously, MSD could operate but could not own assets outside of Jefferson County. However, new legislature was passed in 2018 allowing MSD to both operate and own assets outside Jefferson County.

Case Study Description

Boundary Conditions

Several boundary conditions guided the work completed on this project:

- Actions should not require any statutory or legal change that would adversely affect LWC’s unique corporate structure established by LWC Charter, the governing statutes for the Board of Water Works, or any other statutes impacting the Board of Water Works and/or the Louisville Water Company.
- Local, i.e. Louisville Metro Government, ownership and/or control of LWC and MSD should be maintained.
- LWC’s projected net income should not be adversely affected in the long-term.
- Actions should not adversely impact the bondholders of either MSD or LWC, nor should it have any material negative impact to MSD’s or LWC’s bond rating.
- Actions should not impair the standing of MSD’s position with the U.S. Environmental Protection Agency (EPA) such that it would warrant a renegotiation or material change to MSD’s EPA Consent Decree signed April 10, 2009.
• Actions should result in stabilization of water, sewer, and drainage rates or slowing of the growth of water, sewer, and drainage rates for both MSD and LWC over a 20-year period.
• Actions should have no material detrimental impact to service levels for the customers of either LWC or MSD.
• Actions should have no adverse impact to LWC’s or MSD’s ability to serve planned or existing wholesale customers under contract, or to provide contract operations to planned or existing systems under contract.

Successful Strategies

Business Process Flows Supporting Information

Governance

Below are the key governance steps that were taken for shared services:

• The Interlocal Agreement (ILA) between LWC and MSD was approved by the Kentucky Attorney General.
• The Shared Services agreement between LWC and MSD was approved by both utility boards and it established the cost allocations and methodology for sharing services.
• The One Water Board was created with two members from each of the utility boards and a representative from the Mayor’s office.
• The One Water Board was created to manage, control, and conduct the business activities and affairs of the One Water Shared Services efforts.
• The One Water Transition Coordinator was hired to facilitate the effort and work with the Mayor’s office, the President of LWC, the Executive Director of MSD, The One Water Board, and the One Water Advisory Council (OWAC).
• The OWAC is an operational group made up of executive leadership (from both organizations) that was created to facilitate progress with the initiatives.

The Governance As-Is flows (Figure 3 & Figure 7) outline the above steps that were required to share services between the organizations. The Governance To-Be flows (Figure 6 & Figure 8) include the additional steps taken to improve the partnership (i.e., creation of the One Water Board).

Shared Services

The method used to implement shared services has varied from one functional area to another. In some cases, the creation of One Water management or administrators (primarily to take advantage of attrition) was pursued. In other instances, sharing of actual service activities was prioritized. The To-Be business process illustrates the desired steps to be taken in the future. Although progress has been made with shared services, this effort has not been completed. For more information on the process for shared services refer to the As-Is flows (Figure 9) and the To-Be flows (Figure 4).

New Revenue (Innovation)

In the future we plan to pursue a concurrent approach that will allow us to continue with shared services and to look for new revenue opportunities between both organizations. The new revenue opportunities will range from expanding our service areas through regionalization, investing in
innovative technology, and developing new business lines of service. The New Revenue process flow (Figure 4) and the figure below illustrate our approach.

**ONE WATER APPROACH**

![Diagram of One Water Approach]

*Figure 1. The One Water Approach*

**Strategic Plan**

A One Water Strategic Plan was developed jointly with LWC and MSD executive leadership. The plan continues to drive the partnership through a focus on four main areas that support the approach outlined above. The newly developed plan will guide the future of the partnership and is being communicated throughout both organizations. Figure 2 shows the document being used to illustrate the effort.
ONE WATER PARTNERSHIP

Vision:
Work together to provide customers with the best water-related products & services

Improve every customer experience
- Launch innovative products and services
- Educate employees and the community on Louisville Water and MSD services
- Offer solutions that address affordability concerns

Partner for progress
- Develop a true partnership with shared values and opportunities
- Leverage our collective expertise for transformative and sustained outcomes
- Communicate progress

Drive revenue growth
- Expand our services and extend best practices
- Use our skills, experience and expertise to develop new products and services
- Establish a culture of innovation

Create efficiencies
- Share programs, processes and resources
- Gain economies of scale and eliminate redundancies
- Provide employees training and opportunities to contribute and advance their careers

Figure 2. One Water Partnership Vision
Lessons Learned & Ongoing Challenges

- Development of a One Water Strategic Plan helped reframe the effort and provided improved information to employees on goals.
- Creating a link between the One Water Strategic Plan and the Strategic Business Plans of both organizations is vital to the success of this effort.
- A clear model for the reporting relationship of back-office personnel should be established early in the process. This model should be fully developed with protocols on how employees would perform in their duties and communicated throughout both organizations.
- For efficiency, dedicated resources (besides just a coordinator) should be established. A team knowledgeable of the water and wastewater industry (best if from the organizations themselves) should be placed in full-time support of the effort.
- Extensive communications should be a focal point of both organizations. It should be integral to daily operations, conversations, etc. All leadership should regularly be informed and able to provide the same message to employees throughout both organizations.
- The preference would be to start within the operations of the back-office areas with common system platforms, policies, and procedures (where feasible) and then move to shared leadership. Starting with leadership first is not a problem, but it does provide a challenge for individuals in those roles.
Figure 3. One Water - Governance As-Is, Part 1
Figure 4. One Water - Shared Services To Be
Figure 5. One Water, New Revenue
Figure 6. One Water, Governance To-Be Part 2
Figure 7. One Water, Governance As-Is Part 2
Figure 8. One Water, Governance To-Be Part 1
Figure 9. One Water, Shared Services As-Is