ITEM # 6
HRWC Board
March 26, 2020

TO: Craig MacMullin, MBA, CPA, CGA, Chair, and Members of the Halifax Regional Water Commission Board

SUBMITTED BY: Cathie O'Toole

Digitally signed by Cathie O'Toole
DN: cn=Cathie O'Toole, o=Halifax Water, ou=General Manager, email=cathieo@halifaxwater.ca, c=CA
Date: 2020.03.20 13:31:05 -03'00'

Cathie O'Toole, MBA, FCPA, FCGA, ICD.D, General Manager

DATE: March 17, 2020

SUBJECT: **Corporate Balanced Scorecard - 2020/21 Program**

ORIGIN:

Annual Corporate Performance Measurement.

RECOMMENDATION:

The Board approve:

1. Corporate Balanced Scorecard targets for the 2020/21 fiscal year as detailed in the attached presentation.

2. The Organizational Award Program tied to the outcomes of 12 Organizational Indicators as detailed in the attached presentation.

BACKGROUND:

Halifax Water has been utilizing a Corporate Balanced Scorecard (CBS) to measure performance since 2001. At that time, the CBS was viewed to be an excellent framework to connect the mission of the utility with the everyday activities of staff. The CBS development was very inclusive in 2001 and followed a process to identify Critical Success Factors (CSFs) in support of the mission, establish Organizational Indicators (OIs) to measure performance and set targets for continuous improvement. In March 2002, the Board approved an organizational award program tied to eight OIs which were the most objective and outward looking. This program was well received by staff and ensured that rewards were linked to strategic outcomes. With the transfer of wastewater/stormwater assets from HRM to Halifax Water on August 1, 2007, a broader mission, vision and CBS were developed to ensure it was inclusive of all services provided by the utility.

DISCUSSION:

The mission of Halifax Water is **"*to provide world class services to our customers and our environment*"**. The statement is simple, recognizes the connection between customers and the environment with the "one-water" mandate, and places the responsibility on employees to make Halifax Water a world class utility.

The vision statement for Halifax Water is:

- ***We will provide our customers with high quality water, wastewater, and stormwater services.***
- ***Through adoption of best practices, we will place the highest value on public health, customer service, fiscal responsibility, workplace safety and security, asset management, regulatory compliance, and stewardship of the environment.***
- ***We will fully engage employees through teamwork, innovation, and professional development***

The vision statement expanded on the values and principles of a world class utility in fulfilling its mission and captures the medium to long-term aspirations of Halifax Water. With the vision statement developed, staff then selected the critical success factors that support the mission, and through an interactive process, settled on the following:

1. **High Quality Drinking Water**
2. **Service Excellence**
3. **Responsible Financial Management**
4. **Effective Asset Management**
5. **Safety and Security**
6. **Regulatory Compliance**
7. **Environmental Stewardship**
8. **Motivated and Satisfied Employees**

There are OIs established for each CSF to enable performance measurement and establishment of targets. Each year, the OIs are reviewed and refined based on operational objectives and approved budgets. In 2019 the OIs associated with safety were updated, with the addition of a new lead indicator, average internal safety audit score.

A revised OI Asset Management was implemented in 2019 in recognition that our Wet Weather Management Program is at a mature state. Staff are expecting a definitive outcome in the reduction of inflow and infiltration to facilitate growth and/or increase the level of service to our customers and protect the environment

Staff recommend the continued inclusion of an OI to track the capital budget spend rate to ensure there is focus on optimizing available funding and closing the gap on capital investments.

Similar to last year, two indicators related to our annual customer survey positions the utility for high performance, namely, customer perception of water quality and service. The OIs for these indicators have a range of outcome with the water quality OI target pegged at 80 to 85% of customers rating water quality as good or excellent and the service OI set at 85 to 90% of customers being satisfied or very satisfied with our service.

The attached Corporate Balance Scorecard Summary identifies the CSFs and OIs for 2020/21.

Similar to the past process, the most objective OIs have been considered for the organizational award program. Of the 30 OIs detailed in the attachment, 12 are recommended for inclusion in the award program. These 12 OIs are reflective of seven CSFs which are critical to our mission and the most objective and outward looking. Again, similar to the previous process, the recognition of an organizational award hinges on a minimum score of 7.0 to give a passing grade out of a maximum score of 12.0. Funds for the award program are connected to the operating expense to revenue ratio being below the target for the fiscal year. In this regard, if the operating expense to revenue ratio is met, funds are already embedded in the operational budget. The Operating Expense to Revenue ratio OI has been modified this year to reflect a target that incorporates the equivalent of $2 million in expense reduction.

It should also be recognized that the targets for these OIs are meant to be stretch goals, such that the utility is pushing for both efficiency and effectiveness in its service delivery. In many cases, the improvements in efficiency will realize enough savings to pay for the award program itself. The water loss control initiative is a prime example of how the utility has realized gains in efficiency with financial savings in the order of $650,000 per year. In keeping with the cost containment theme, water and wastewater service cost per connection measures under Responsible Financial Management have targets to realize 3% savings compared to the approved operations budget. In addition, under the Environmental Stewardship theme, the utility is expected to reduce energy consumption (and therefore greenhouse gas emissions) as a result of capital improvements. The continuation of the organization award tied to the outcomes of the CBS helps promote a high level of performance and will realize future savings for the utility.

BUDGET IMPLICATIONS

Funds for the Award Program are available with the realization of the operating expense to revenue ratio below the target amount. In this regard, funds would be embedded within the 2020/21 Operations Budget. In many cases, meeting the OI targets will realize direct savings to the utility, improved operational effectiveness, and/or improved customer service.

ALTERNATIVES

None recommended.

ATTACHMENT

Summary Corporate Balanced Scorecard

Report Prepared by:	Cathie O'Toole — Digitally signed by Cathie O'Toole DN: cn=Cathie O'Toole, o=Halifax Water, ou=General Manager, email=cathieo@halifaxwater.ca, c=CA Date: 2020.03.20 13:31:43 -03'00'
	Cathie O'Toole, MBA, FCPA, FCGA, ICD.D , 902-490-4840
Financial Reviewed by:	Louis de Montbrun — Digitally signed by Louis de Montbrun Date: 2020.03.20 13:23:42 -03'00'
	Louis de Montbrun, CPA, CA Director, Corporate Services/CFO Service, 902-490-3572