

**Presentation to the Mayor's Blue
Ribbon Panel on PWSA Restructuring**

**An Interim Report
August 28, 2017**

Presented by

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Initial Impressions at the Senior Management Level

1. PWSA is barely holding on thanks to its interim director, its CFO and the yeoman-like dedication of most of its staff
2. Recent initiatives under senior management could address a few of the well-know problems (e.g., billing).
3. It's financial situation will be improved, but only slightly, with the planned financial restructuring. Much more is required.
4. PWSA's structural governance and organization are not suited to its enormous operational and physical problems, nor to its multi-billion dollar repair ambitions

Selected Quotes from IMG's Internal Draft Operations & Asset Management Review (1)

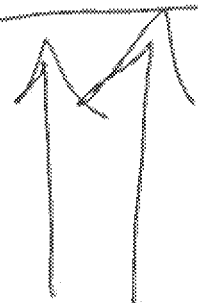
FIRST LOOK: "Notwithstanding the competence and leadership of the interim executive director, the professionalism of the CFO and some other managers, and the foxhole valor of many staff in the field, PWSA is a failed organization atop a dangerous and crumbling structure."

CULTURE: "PWSA has an entrenched culture of operational apathy, coupled with the absence of skill sets and operating systems that are absolutely essential to a utility of its size."

MISMATCHED: "It is one thing for Pittsburgh to have an aging system in demonstrably worse condition than any water utility its size in the country; it is quite another to hope that it can be efficiently improved by spending billions of dollars through an organization so bereft of the most basic work culture and management tools."



Money Line



Selected Quotes from Internal Draft Operations & Asset Management Review (2)

SKILLS: "There are pockets of technical acumen and skill throughout the organization, but those employees appear either underutilized or overwhelmed by urgency. There is no evidence of any structured staff development or training program to correct this issue."

THE TOOLS AT HAND: "There appears to be no technical ability to maintain the [water treatment] plant, with no evidence of a maintenance program. No basic maintenance shop equipped with typical maintenance shop tools was seen, nor any evidence that operationally critical equipment was subject to any maintenance. If maintenance was performed, it was recorded not electronically but on note cards and log books. This lack of usable maintenance records is unimaginable for a system so large and dilapidated. As management systems go, PWSA is in the stone age."

Selected Quotes from Internal Draft Operations & Asset Management Review (3)

- **PRODUCTIVITY:** “Although many staff conducted themselves with integrity and seriousness of purpose, the notable absence of simple housekeeping maintenance suggests a lack of care, skills or both, but – at the time of our observation – certainly not staff. Yet there are plans to increase staff by 10 at that plant alone.

• **STAFF AVAILABILITY:** “The high level of staff on short-term disability, reported to be about 20 percent, is additional evidence of a dysfunctional culture. This could stem from either an ineffective safety program, or the result of a long-standing culture that accepts this type of behavior.”

• **SETTING PRIORITIES:** “There are no means of accurately creating a meaningful priority list of rehabilitation and repairs, or even maintenance priorities other than “broken.” Efforts to prioritize have been sporadic, project specific, and appear not to consider the whole system’s needs.”



Selected Quotes from Internal Draft Operations & Asset Management Review (4)

- **AT THE SWITCH:** "SCADA [Supervisory Control And Data Acquisition – the control system used to monitor the water treatment process] were absent for significant periods of time from their stations (two of the three cases), and appeared to have limited knowledge of how to manage the SCADA system, demonstrating only the most basic of skills to switch screens."
- **EQUIPMENT:** "Almost every piece of rotating equipment seen at the water treatment plant (other than newly installed items) was in a condition of significant neglect. Pump body seals were leaking, with evidence of scaled up chemicals and fresh leakage that could have been prevented with a little tightening of some of the easily accessed bolts."
- **WHAT TO FIX FIRST:** "Money is being spent on the greatest *perceived* need of the moment rather than in a strategic and comprehensive facility-wide risk-based approach."



Selected Quotes from Internal Draft Operations & Asset Management Review (5)

- **ASSET MANAGEMENT APPROACH:** “The EPA Asset Management System used by PWSA is suitable only for the ‘lowest common denominator,’ such as a small rural plants with unsophisticated staff. It is insufficient -- and indeed, misleading -- for a system of PWSA’s size. By focusing on simple “needs” before assessing real risks and criticality, PWSA threatens to waste hundreds of millions of dollars of in its long-term capital program.
- **STRATEGY:** “Most importantly, PWSA lacks a holistic strategy – organizationally, physically, operationally and financially – for correcting its problems. The current panacea is that PUC regulation will provide cover for dramatically higher water and sewer rates, thereby providing a windfall to buy its way out of its problems. However, this approach is likely to run into fierce and understandable stakeholder opposition without newfound credibility – including a detailed and coherent plan, fully supported by *all* stakeholders -- of how the organization will be radically and permanently reformed. Accordingly, such PUC intervention is, at best, very premature.”

