

Strategic Business Plan

A Framework for Effective Utility Management
2008 - 2012

2008 Mid-Year Report

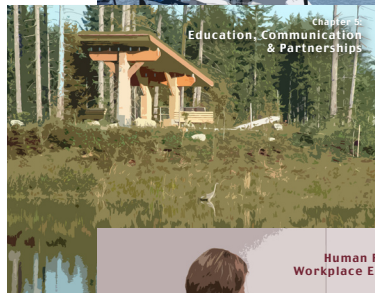


LOTT Alliance
Cleaning and restoring
water for our community

In 2007, the LOTT Alliance developed a Strategic Business Plan for the 2008-2012 planning period. The Plan identifies the organization's Core Values in each of four key management areas – Business Management; Environmental Resource Management and Stewardship; Education, Communication, and Partnerships; and Human Resources and Workplace Environment. At the heart of the Plan are Levels of Service and Measures of Success for each of the key management areas. Levels of Service set the bar for how the organization will meet its Core Values. Measures of Success are the metrics or targets that are monitored to determine whether or not the organization reaches those bars.

This Mid-Year Performance Report gauges progress toward meeting the organization's Levels of Service and Measures of Success. It also provides the opportunity to test the functionality of the Measures and our system for tracking the information needed. In some cases, an alternative Measure has been suggested to facilitate reporting and provide more meaningful data. In others, clarifications were needed regarding the intent of the Measure or the method to be used in gathering data. Changes to the measures are indicated in orange.

Data is reported for the first half of 2008, although some data is not available on a semi-annual cycle. In some cases, Measures are easily quantifiable, straight-forward indicators of success. In other cases, Measures serve as tools or gauges on the "dashboard" to trigger and inform decision-making. In such cases, the Measures are treated as metrics to track and trend over time. As this is the first report under the Strategic Business Plan, trends are not reported for some of the Measures.



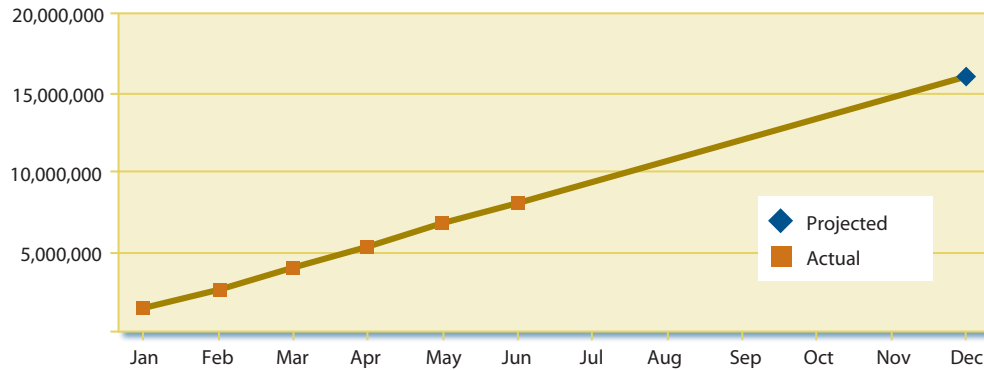
Of Note:

- LOTT is on track to meet most of its Measures of Success for 2008.
- LOTT is managing the utility within financial benchmarks.
- Revenue from CDCs is at 56% of the projected amount for the first half of the year.
- There were no findings during the annual State Audit.
- LOTT has maintained 100% compliance with numerical permit requirements for both of its treatment plants.
- Only one odor complaint has been received so far this year.
- SEPA public involvement requirements have been met for both the Kaiser Road Forcemain, and the Administrative/Education Center and Water Quality Laboratory.
- The personnel vacancy rate is only 2.4%
- LOTT's Labor and Industries Experience Rating is strong at 0.7165, well below the industry benchmark of 1.0.
- LOTT received a number of awards in the first half of the year, including:
 - National Association of Clean Water Agencies (NACWA) Peak Performance Award
 - NACWA 2008 National Environmental Achievement Award, Public Information/Education: E-Media Award for redevelopment of www.lottonline.org
 - Thurston Green Business Award

Measures in More Detail

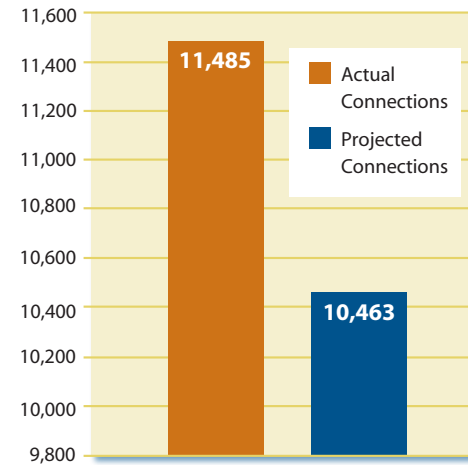
This section of the report includes additional data for selected Measures of Success. Graphical representations reflect LOTT's performance for some of the Measures that do not involve specific targets, but rather, are tracked and monitored over time.

Wastewater Service Charge: Actual vs. Projected Revenue



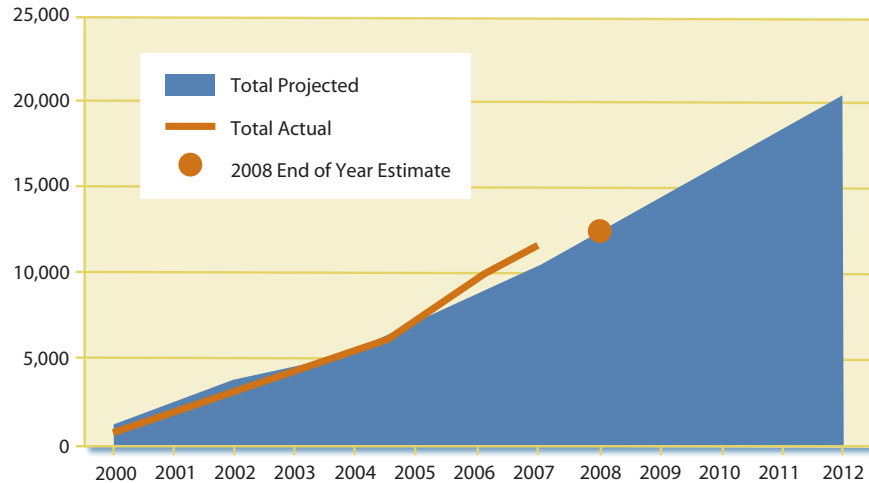
One of LOTT's Levels of Service is to manage the utility within financial benchmarks. Accurately projecting revenue is one of those benchmarks. Revenue from Wastewater Service Charges (WSC) is at 101% of projected totals for the first half of this year.

Cumulative New Connections for 2000-2007



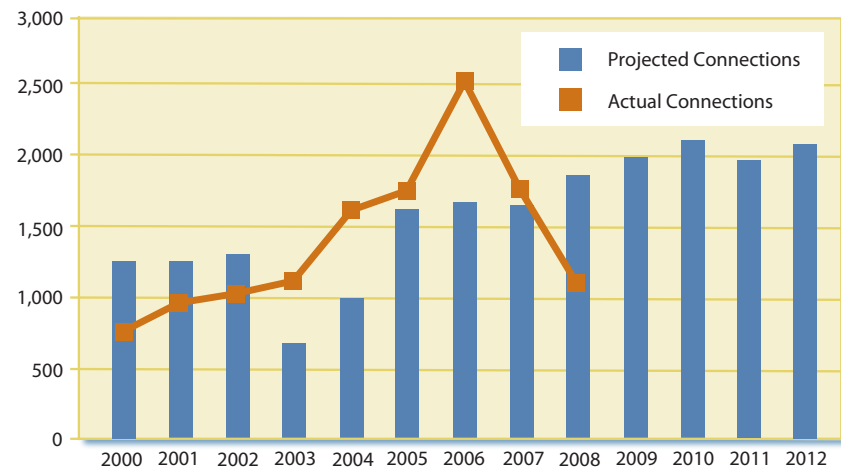
A new Measure has been added to reflect that revenues from new connections, Capacity Development Charges (CDCs), are also tracked and gauged against projected expenditures in the Capital Improvements Plan (CIP). While this metric is reviewed annually, its value is long-term in nature. An initial review of new connections in recent years suggests that a substantial surplus in CDCs exists.

Cumulative Actual vs. Projected Connections for 2000-2012



Review of actual vs. projected connections through the end of the 2012 planning period show that the surplus in CDCs from new connections will be absorbed by the end of this year.

Annual Actual vs. Projected Connections for 2000-2012



Annual fluctuations in new connections reinforce the need to assess short-term surpluses or shortfalls in the context of supporting the Capital Improvements Plan over the long-term.

LOTT Strategic Business Plan

Levels of Service	Measure: Targets or Metrics	Mid-Year Performance January to June	Measure Achieved
Business Management			
Manage the utility within financial benchmarks	Service Revenue: 100% or greater of projected revenue	WSC = 101%	Yes
	New Connections Revenue: Annually review projected revenue versus long-term Capital Improvements Plan needs	Results available end of year	On Track
	Expenditures: Annually less than or equal to 85% of revenue	Results available end of year	On Track
	Cash Balance: Positive annually	June 30 = \$51,038,930 (includes reserves)	Yes
	Costs: Track budgeted versus actual total project costs	Secondary Clarifiers Total: \$5,404,300 (budgeted) / \$5,889,765 (actual) 2008: \$0 (budgeted) / \$172,360 (actual)	Monitoring
	Rate History: Track rates versus inflation	WSC = 5.9%, CPI = 4.5% (Jan-June 08) CDC = 6.2%, PPIs = 9.2% & 13.6%	Monitoring
Operate within accepted business and financial standards	State Audit: Free of findings	Completed May 2008 with no findings	Yes
	Peer Review: Comprehensive peer reviews completed within every 6-year planning period	Completed August 2002	Due Between 2008 - 2012
	Internal Audit: Conducted annually	Completed March 2008	Yes
	Independent Financial Operations Review: Conducted every 2 years	Currently underway	On Track
	Liability Risk Audit: Conducted annually	Completed May 2008 with no findings	Yes
Embrace asset management and use of the triple bottom line as the operational standard for all system investment	Validated Capital Improvements Plan: Business Case Evaluations for 100% of projects in the 6-year schedule	24 projects in the 6-year schedule 10 projects with completed BCEs Developing schedule for remaining projects	On Track
Ensure equitable distribution of costs between ratepayers and new development	Cost Distribution: Meet Capacity Development Charge and Wastewater Service Charge allocation guidelines for all projects	Results available end of year	On Track
Preserve the design capacity at the Budd Inlet Treatment Plant	Budd Inlet Treatment Plant Treatment Capacity: Maintain optimum capacity at 25 mgd during shoulder seasons	Maintaining capacity at or above 25 mgd Ongoing refinement of Master Plan	Yes
	Discharge Capacity to Budd Inlet: 14.5 mgd DWF / 28 mgd WWF	Maintaining capacity at or above 14.5 mgd DWF and 28 mgd WWF	Yes
Build capital facilities "just in time"	Reserve Capacity: Maintain at an annual average of 1.5 mgd	Capacity Assessment Report available in October	On Track

LOTT Strategic Business Plan

Levels of Service	Measure: Targets or Metrics	Mid-Year Performance January to June	Measure Achieved
Environmental Resource Management and Stewardship			
Complete capital projects with minimal environmental impacts	Environmental Reviews: Proactively complete environmental reviews as required and/or deemed optimal for success	Kaiser Road Forcemain Admin/Education Center & Lab	Yes
	Investment in Enhancement: Track capital project expenditures dedicated to enhancement and/or mitigation	Mitigation Wetland at Hawks Prairie Pond Site = \$23,147	Monitoring
Protect water resources through high quality wastewater treatment	Compliance: 100% compliance with numerical permit requirements	100%	Yes
Produce and reuse renewable resources including Class A Reclaimed Water, Class B Biosolids, and methane	Production of Class A Reclaimed Water: Trend production per facility (mgd)	Budd Inlet Reclaimed Water Plant = 0.4 mgd Martin Way Reclaimed Water Plant = 0.54 mgd	Monitoring
	Percentage of Class A Reclaimed Water: Trend percent of flow used to produce Class A Reclaimed Water	9.9%	Monitoring
	Use of Class A Reclaimed Water: Trend reuse versus recharge / discharge	Reuse = 44.3% Recharge = 45.2%	Monitoring
	Class B Biosolids: 100% of LOTT's biosolids beneficially reused	100%	Yes
	Methane: Track percentage of methane captured and reused	41%	Monitoring
Maximize use of existing treatment capacity through cost-effective water conservation, inflow & infiltration reduction, and flow diversion projects	Water Conservation: 500,000 gpd additional flow reduction by 2012	2007 = 36,484 gpd 2008 = 15,198 gpd	Monitoring
	Inflow & infiltration (I&I): Trend annual I&I removal over time	I&I Report available in October	Monitoring
Minimize odor complaints from LOTT activities	Odor Compliance: 100% compliance with ORCAA numerical requirements	Results available in August	Monitoring
	Odor Complaints: 5 or fewer per year	1 complaint	Monitoring
Support joint water quality and habitat improvement projects	Investment: Track investments in water quality and habitat improvement and preservation projects	Ayer Creek Enhancement = \$1,763 Budd Inlet Restoration = staff time	Monitoring
Collaborate with partner jurisdictions and other entities to ensure emergency preparedness	Emergency Operations Plan (EOP): Update EOP at least annually	On-going	Yes
	Joint Preparedness: Track participation in Joint Emergency Preparedness activities	10 joint planning meetings	Monitoring

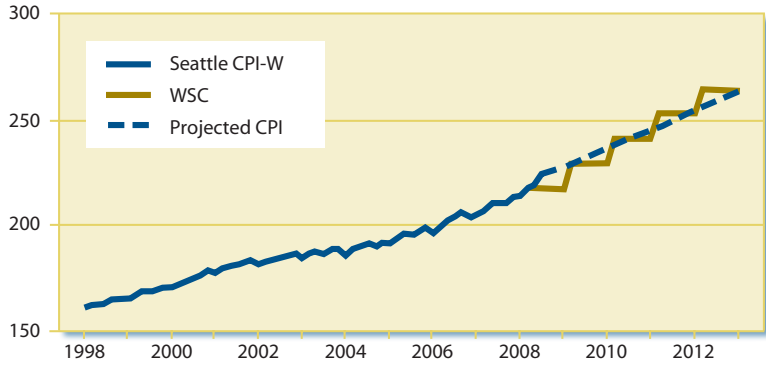
LOTT Strategic Business Plan

Levels of Service	Measure: Targets or Metrics	Mid-Year Performance January to June	Measure Achieved
Education, Communication, and Partnerships			
Provide open and transparent access to information	Reporting: 100% reports up-to-date	5 of 9 completed	On Track
	Access to Information: Track website visits over time	4000 visits/month	Monitoring
	Internal Communications: 100% scheduled internal communications completed	100%	Yes
Respond quickly and openly to all public inquiries	Number of Inquiries: Track number of public inquiries	272 inquiries	Monitoring
	Response Time for Inquiries: 100% compliance with response time guidelines	Calls/Emails = within 1 day Public Records = within 4 days (4 requests) Other inquiries = 6.62 days	Yes
Pursue recognition of excellence	Peer-Reviewed Recognition: Track awards applied for and received	Applied for 7 Received 4	Monitoring
	Peer-Reviewed Presentations: At least one LOTT representative to present at peer-reviewed forum annually	2 papers accepted for WEF	Yes
Collaborate with partner jurisdictions and other entities to participate in community programs/ events that foster public awareness and support for LOTT activities	State-Wide Policy Development: Staff hours dedicated to advancement of reclaimed water and other policies	60 hours	Monitoring
	Joint Events: At least two collaborative events/programs annually	Earth Day Town Hall Tours, Budd Inlet Community Forum, and Sand in the City	Yes
Involve the public in planning and design processes	Regulatory Compliance: Complete required public involvement for all SEPA regulated projects	Kaiser Road Forcemain Admin/Education Center & Lab	Yes
	Public Involvement: Completed workshops, meetings, and interviews for additional projects as deemed appropriate	No non-SEPA activity	Yes
	Informed Public Consent: Achieve little or no opposition to proposed programs or facilities during final project stages	Kaiser Forcemain = no opposition Admin/Education Center = no opposition	Yes
Develop educational materials and programs that foster public awareness and support for LOTT activities	Community Presentations: At least 4 annually	16	Yes
	Plant/Facility Tours: At least 10 tours annually	Budd Inlet Treatment Plant = 20 Martin Way Reclaimed Water Plant = 15	Yes
	Tour Participants: At least 300 participants annually	Budd Inlet Treatment Plant = 424 Martin Way Reclaimed Water Plant = 137	Yes
	Education Center: Initially, at least 2500 visitors annually	N/A	N/A
	Written Materials: Reports, brochures, or fact sheets for each major project and facility; provide for tours, events, and on request	10 produced/updated	Yes

LOTT Strategic Business Plan

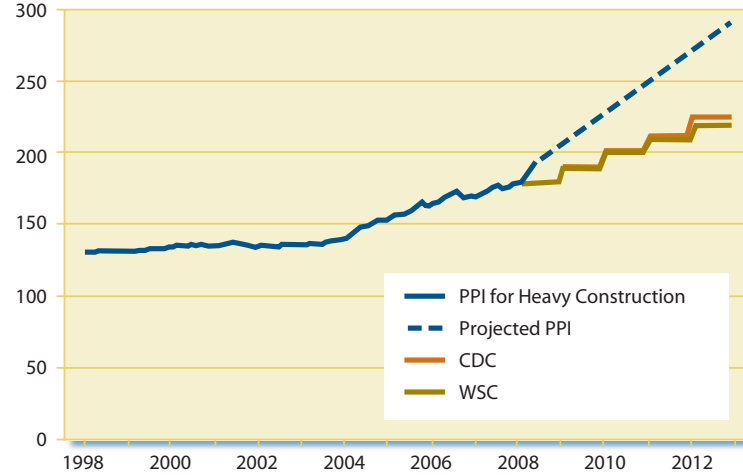
Levels of Service	Measure: Targets or Metrics	Mid-Year Performance January to June	Measure Achieved
Human Resources / Workplace Environment			
Provide employee development and support programs that result in an adaptive, efficient, satisfied, skilled workforce	Vacancy Rate: Monthly average less than or equal to 10%	2.4%	Yes
	Succession Planning: 100% of critical functions have a plan by 2009	Identifying critical functions	In Progress
	Apprenticeships: 75% of apprentices become journey-level workers and fulfill service commitments	4 of 4 apprentices progressing	On Track
	Career Development Program: Track and trend number of employees participating in CDP	5 employees	Monitoring
	Training: Track and trend average hours of training per employee per year	28.5 hours	Monitoring
	Employee Turnover: Report, trend, and analyze information	1 employee resigned	Monitoring
	Movement Within the Organization: Track and report reassignments and reclassifications	1 reclassification	Monitoring
	Retirement Eligibility: Track number of employees eligible to retire in 2, 5, and 10-year horizons	2 years = 3 2 to 5 years = 6 5 to 10 years = 7	Monitoring
	Amount of Employee Experience: Track employee tenure and relevant experience	9.2 years tenure 19.3 years relevant experience	Monitoring
Build and maintain a culture of safety	Reportable Safety Incidents: Track monthly rate	0.17 per month	Monitoring
	Time Loss: Track and report worker hours lost due to injury	0 hours	Monitoring
	Labor and Industries Experience Rating: At or below industry base rate of 1	0.7165	Yes
	Contractor Safety: 100% compliance with health and safety standards	100%	Yes
	Safety Incentive Program: 100% staff participation	93%	No

Rate History: Wastewater Service Charge vs. Consumer Price Index



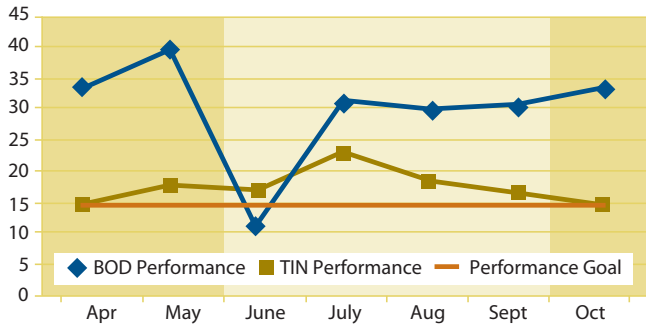
Tracking rates vs. inflation is another metric that is long-term in nature. Compared to the current Consumer Price Index (CPI), LOTT's Wastewater Service Charge (WSC) is keeping pace with inflation.

Rate History: Capacity Development Charge vs. Producer Price Index for Heavy Construction



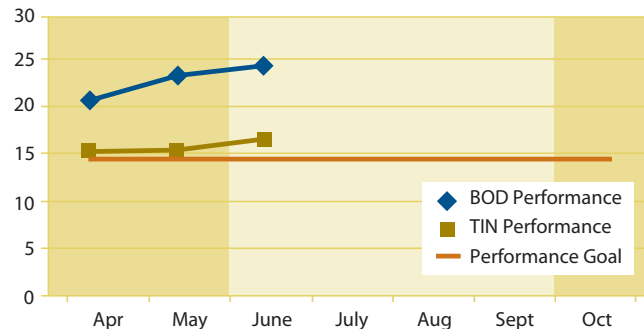
There are two Producer Price Indices (PPIs) that can be compared to the CDC to track inflation for capital projects. The PPI for Heavy Construction shows that LOTT's CDCs are not on track to keep pace with inflation.

2007 Discharge Capacity Based on Loading

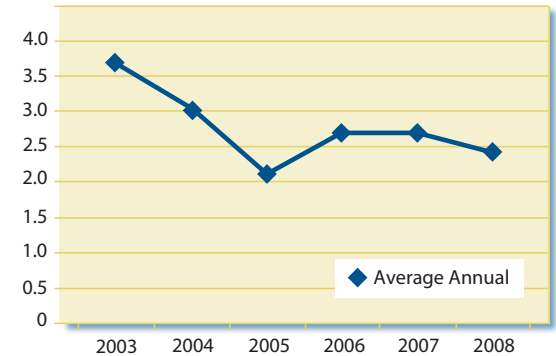


Preserving the design capacity at the Budd Inlet Treatment Plant is one of LOTT's Levels of Service. Analyzing the recent performance of the Plant provides an estimate of the amount of flow that could be treated while still meeting LOTT's numerical permit limits. Performance within the shaded areas of the graph is especially important, as permit limits are most stringent during these "shoulder seasons." LOTT is meeting this Level of Service for the first half of 2008.

2008 Discharge Capacity Based on Loading



Inflow and Infiltration Removal (Millions Gallons Per Day)



Removal of inflow & infiltration (I&I) helps maximize use of existing treatment capacity, another of LOTT's Levels of Service. In the absence of recent I&I projects, this metric is derived from modeling of long-term monitoring data and historic rainfall. Past system improvements resulted in significant decrease in I&I over the last 14 years.