

Cleveland's public utilities

Director Paul Bender: redeemer of dysfunctional systems



Paul Bender, the city of Cleveland's new head of public utilities *John Kuntz, The Plain Dealer*

CLEVELAND, Ohio -- Paul Bender is one of the most influential people you may never meet, the man responsible for delivering water and power to you -- and more than a million of your neighbors.

The 60-year-old Delaware native, considered by many to be the redeemer of the Cleveland's once beleaguered **Water Department**, now stands at the helm of the city's public utilities, **sworn in last month** to replace Barry Withers.

Internationally recognized as a turnaround expert specializing in troubled utilities, Bender has worked for governments from Arizona to Africa, attracted to the challenge of rectifying dysfunctional systems.

For the past seven years, Bender has been the Mary Poppins of public utilities -- breezing into a city on a consulting contract, undoing years of

mismanagement in relatively short order, then taking off, having grown bored with nothing left to fix.

Cleveland, however, was different. The city hired Bender in 2011 as a consultant to oversee sweeping improvements to a Water Department **plagued by billing problems**, staffing inefficiencies and complaints of poor customer service.

Under his tutelage and with the work of Kansas-based consulting firm Black & Veatch, calls are now answered promptly, bills are timely, and the collections rate has spiked to more than 98 percent, the city has reported. The department is installing an automated meter-reading system throughout its 72-community service area -- which is expected to end the department's practice of estimating bills when faulty meters go undetected for an entire billing cycle.

In January, the mayor announced that the department's **turnaround was so successful** that it has yielded \$14 million a year in new revenue and could grant customers a five-year reprieve from water rate increases.

Such victories usually cue Bender's departure to address the next city's dysfunction. But Bender has decided to stay.

"This department has the resources and the talent, and it's certainly on the move," Bender said in a recent interview. "But there's still work to be done, and I'd like to see it through."

Despite his early successes, Bender faces other daunting challenges, including the management of city-owned Cleveland Public Power, as it struggles to compete with its much larger and better-positioned rival, Cleveland Electric Illuminating Co.

He also must transition from hired gun to public servant, from a nomad paid to agitate the system with impunity to a familiar face who will hear from critics at the City Council committee table -- and perhaps at the grocery store.

Unassuming and quietly intelligent, Bender has so far addressed members of council with the authority of a longtime city official, while issuing just enough deference to seem like the new kid at the lunch table. Though friendly and polite, he also is direct -- a trait he shares with Mayor Frank Jackson and one that, Bender says, usually either impresses or affronts.

When the two men first met to begin mapping the turnaround project, Bender said he appreciated that Jackson cut straight to the point.

"We are going to be successful," Jackson said, in Bender's recollection. "That is not a question."

From Psych major to utilities expert

Bender's path to the world of public utilities began, oddly enough, with a degree in psychology.

Fresh from college in the mid-1970s, Bender wanted to be a social worker and found a job in Kansas as a house "parent" at a facility for juveniles in the state's care. He supervised the children around the clock, handled their social problems and made sure they made it to school.

After two years, Bender decided he wanted to play a bigger role in the system and enrolled in an MBA program at Boston University, which was tailored for those interested in public health and management.

But Bender discovered he had a knack for accounting, and a professor persuaded him to earn a public accounting certification and try working at a firm for a few years. At the firm known today as Price Waterhouse Coopers, Bender cut his teeth and did auditing work for a variety of clients, from non-profits to government agencies.

The company transferred him to Richmond, Va., and soon after, that city hired him as its audit manager. Five years later, Bender became deputy director of the city's Department of Public Utilities, in charge of a \$200 million natural gas, water, wastewater and electric utility operation.

As in Cleveland, residents in Richmond complained continuously about customer service problems; at least 15 minutes of each City Council meeting was reserved for customer complaints, Bender said. When Bender asked the city manager at the time what his priorities were for the department, Bender recalls the response: "Get these customers out of City Hall."

In less than a year, he and then-department head Jerry Johnson, had streamlined the operation, restructured customer service and upgraded technology.

Bender followed Johnson in 1997 to the District of Columbia Water and Sewer Authority -- a new agency created by the U.S. Congress to assume those utilities from the municipal government.

Johnson, who had taken the job as general manager of the authority, said in a recent interview that he needed to recruit a chief financial officer with an analytical eye, someone he could trust to make things happen quickly.

When Bender arrived, the department employed 1,300 people and was operating on three outdated computers. Customers received bills addressed to "occupant," and half of the meters in the service area didn't work, leading to estimated bills and angry customers.

Bender was charged with setting up the financial and payroll systems from scratch and establishing credibility on the bond market.

By the time he left in 2005, the utility had become a leader in industry innovations and was among the first to adopt an automated meter-reading system that ended the practice of issuing estimated bills, and allowed customers to view their daily usage information online.

From there, Bender became a free agent, having earned his credentials and carved his niche as a public utility and financial turnaround specialist.

He spent three years in Africa, with a team of financial advisors, commissioned to help implement new government accounting and strategic planning standards. He helped the World Bank evaluate the success of South

Africa's first municipal water and sanitation concession agreement after its first 10 years of operation. He helped the city of Portsmouth, Va., develop new budgeting practices to plan for future expenses, while minimizing water-rate increases. And he advised the Tribal Council of the Gila River Indian Community in Sacaton, Ariz., on overhauling its money management and strategic planning.

While supervising Cleveland's turnaround, Bender managed to continue working on a long-term project to consolidate and improve water and sewer services in the African nation of Botswana.

Johnson, who now is the general manager and CEO of the Washington Suburban Sanitation Commission, said Bender is a shrewd strategist who "takes no prisoners."

"Paul is very, very analytical and he is a loyal team player," Johnson said of his long-time friend. "He has a good eye for talent and growth potential. But he has no tolerance for incompetence. If someone else is the hold-up, he wants to know why."

Politics and critics unavoidable

At Bender's swearing-in ceremony last month, Jackson praised him for his range and depth of experience and said Bender will play a critical role in ensuring the future viability of the city's utilities.

But not everyone is sold on the new director just yet.

Environmentalists say they have yet to see where Bender stands on controversial issues involving Cleveland Public Power. The city is still studying the possibility of building a waste-to-energy plant, which would burn trash to generate electricity. And the utility is snagged in expensive long-term contracts with coal-burning power plants. In one case, a plant was never even built, but the city is on the hook for millions of dollars in stranded costs. The failed plant is at the heart of a pending lawsuit, involving CPP and a consortium of other cities that signed the deal.

Bender said in a recent interview that he has only begun to review CPP's contracts and energy portfolio. He also deflected questions about the waste-to-energy plant, stating that the mayor is taking the lead on that issue.

Councilman Michael Polensek said in a recent interview that beneath his new title, Bender is still a consultant -- one of many who, Polensek says, hijacked the water department for the past two years and were overpaid.

Bender will make \$200,000 a year as utilities director. But his consulting contract with the city was worth \$1,080,000.

Polensek, who voted against the 82 percent water rate increase that preceded the turnaround project, said the millions of dollars spent on consultants and the installation of what he calls "Star Wars technology" should have been used instead to hire more meter readers and call center workers.

"Is Paul Bender the cure-all to our ills?" Polensek rhetorically asked. "No, he isn't. I'm told he's knowledgeable and competent. But the people who made all the bad decisions are still there, while we have spent an unreal amount of money on consultants, who now run the division."

Bender, who has run marathons in Antarctica and the Sahara just for fun, appears to take the criticism and second-guessing in stride.

One cannot escape politics in any workplace, Bender says, but at the heart of every turnaround project is an organization that is ready for change -- and that is always an exciting moment to climb aboard.

"Even those who have been here for decades work with such enthusiasm under those conditions," Bender said. "I love to be part of that and to see it all run well."

Cleveland water department woes seem to be receding: editorial



Mayor Frank Jackson has made good so far on his pledge to upgrade the Cleveland Water Department. *Marvin Fong, The Plain Dealer*

OK, we'll admit it: Cleveland Mayor Frank Jackson was right to push through a five-year rate hike for the Cleveland Water Department in 2011, a hike that was initially [opposed by this editorial board](#).

In a meeting at The Plain Dealer on Thursday, Jackson [made a persuasive case](#) that, without the rate increase, the city couldn't have turned around the once-sinking department, bringing in \$14 million in new revenue annually.

Jackson even suggested -- raise a cheer -- that if this turnaround continues, ratepayers might get a break from perennial rate increases after the current one expires at the end of 2015.

Still, outspoken opponents of the recent water-rate increase had a point. Trust in the department, ineptly run by Public Utilities Director Barry Withers, who mysteriously still holds the job today, was low for good reason.

The Water Department, the public face of Northeast Ohio regionalism, could not deliver accurate bills or even answer its telephones in a timely manner.

Jackson promised a turnaround and has proved true to his word, hiring Black and Veatch, based in Kansas, to do the job.

Under the direction of Paul Bender, who managed the project for Black and Veatch, the department has increased collections on outstanding bills, improved its billing system and launched an ambitious project to replace aging meters with state-of-the-art automatic meter readers that transmit usage information by radio, gradually eliminating the need for a large meter-reading work force.

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Customer patience is still required; until all the old, unreliable meters can be replaced, erroneous, estimated bills may still be going out.

Still, there's one crimp in the plans. Jackson is seeking to tamp down expectations that, as automated meters are installed, the department will need a lot fewer workers. Instead, the work force will be trimmed through attrition and retraining for other duties, the mayor says.

That sounds overly optimistic for a department long known as a safe harbor for unproductive staff. With expensive upgrades to leaking water pipes high on the mayor's to-do list, he must consider reducing expenses by terminating unneeded workers.

Cleveland Mayor Frank Jackson says water department overhaul could mean no rate hikes for 5 years



Cleveland Mayor Frank Jackson *Gus Chan, The Plain Dealer*

CLEVELAND, Ohio -- Cleveland Mayor Frank Jackson says the city's overhaul of **water department** operations has been so successful that it has yielded \$14 million dollars a year in new revenue and could grant customers a five-year reprieve from water rate increases.

Cleveland water customers have shouldered a seven percent rate increase nearly every year for decades to cover about \$1.6 billion of improvements to the department's facilities during the past 30 years, Jackson acknowledged Thursday during a meeting with Plain Dealer reporters and editors.

The latest rate hikes, which were passed in 2011 and extend through 2015, will cause the typical Cleveland customer's rates to rise 82 percent by the end of the five years, with suburban rates up 50 percent.

But that increase was calculated based on the water department's earlier, less-efficient business model and lower collection rates, Jackson said. If

improvements continue as projected, the department will have enough cash on hand to meet its debts and invest in state-of-the-art facilities and infrastructure, while giving customers a break from rate increases starting in 2016, Jackson said.

"That is our goal," Jackson said. "That is how you can measure us. Have we reduced our costs, restructured properly and improved efficiencies enough to make that happen and to make our customers happy?"

The utility has come a long way since **the days when thousands of pending bills backlogged the system**, customers complained of incorrectly estimated bills and waited for an hour or more to speak with call center representatives, Jackson said.

The department employed more than 1,200 workers using outdated, manual or labor-intensive procedures with high error rates. The collections rate hovered around 88 percent, with \$73 million in delinquent payments, and the department identified more than 13,000 accounts that never received consistent bills. Thousands more were traced to vacant lots and empty homes.

Today, calls are answered promptly, bills are timely and the collections rate has spiked to more than 98 percent, thanks to the department's reorganization by Kansas-based consulting firm Black & Veatch, the mayor reported.

Call center workers receive better training and supervision. New departmental leaders were installed. And the three subdivisions within the Public Utilities Department -- water, Cleveland Public Power and water pollution control -- centralized communications and personnel.

The department also is in the process of installing an **automated meter-reading** system throughout its 72-community service area. The system automatically reports hourly water use -- all but ending the department's practice of estimating bills when faulty meters go undetected for an entire billing cycle. The technology eventually will allow for more-accurate monthly, rather than quarterly, bills. And it will flag water-usage irregularities, including illegally activated utilities, said Paul Bender, who managed the turnaround project for Black & Veatch.

So far, about 30,000 out of 420,000 properties have received the equipment upgrades, which include low-frequency radio transmitters, called "endpoints," installed outside each house or commercial building to harvest usage information, Bender said.

Technicians are installing the equipment at a rate of about 500 a day, Bender said. And the city expects to have the system fully assembled by the middle of 2014.

The customer billing system will continue to improve through 2015, Bender said, including a modernized website that offers online bill payment options and tools that could allow customers to monitor their own water usage.

With automated meter reading and fewer billing and equipment problems to manage, water department staff likely will be reduced through attrition, Jackson said. Workers who remain will be retrained to handle maintenance and troubleshooting of the new technology.

Upgrades to facilities and the subterranean system of water pipes are expected, too, the mayor said, as large water meters are installed at various points along main arteries to pinpoint leaks.

Jackson said the historically beleaguered water department is on its way toward becoming a national model for publicly owned utilities. But the progress would have been impossible without the 2011 water rate increase, which Jackson said was necessary for the department to pay its debts for system improvements without becoming insolvent.

"What we were asking for was the right thing at the time to guarantee the stabilization of the operation, maintain a quality product and ensure financial viability," Jackson said. "Without it, this system would be in terrible shape."

Cleveland Water Department begins residential installation of automatic meter reading system



Thomas Ondrey, The Plain Dealer Workers install new automatic meter reading equipment in a vault located in the front yard of Apria Healthcare in Brooklyn Heights last month.

CLEVELAND, Ohio -- The **Cleveland Water Department**, which last month **began installing automatic meter reading equipment** in commercial properties throughout the 70 Northeast Ohio communities it serves, will roll out the new technology in some residential areas Wednesday.

Customers in parts of Rocky River, Twinsburg and Reminderville will be among the first to receive the upgrades. The system promises to dramatically improve customer service by automatically reporting water usage on an hourly basis -- virtually ending the department's practice of estimating bills when faulty meters go undetected for an entire billing cycle, said Jason Wood chief of public affairs for the city's Public Utilities Department.

The system uses low-frequency radio transmitters, called "endpoints," which will be installed on the outside of each house to harvest usage information, including peak use times. The data are transmitted to one of 36 "collectors" affixed to telephone poles or other high perches throughout the area. About

150 devices called "repeaters" help bounce signals to collectors from more-remote locations.

The upgrade will enhance customer service by giving the department tools to more closely monitor water use and diagnose problems, such as leaky faucets and running toilets, before they lead to higher-than-normal bills that incense customers, Wood said.

Technicians installing the endpoints must gain access to about 420,000 properties in the department's coverage area between now and December 2013, Wood said.

Customers will receive mailings instructing them to call the department and schedule an appointment when their neighborhood is on deck for service. Installations are slated for Bay Village and part of North Olmsted in the coming months, Wood said.

Technicians must use two forms of photo identification -- their company ID and a Clear Reads badge -- when introducing themselves to customers, Wood said. They also will drive trucks sporting the Clear Reads logo. Customers can call the water department at 216-664-3130 to question the legitimacy of an installer attempting to gain access to a residence, he said.