

Iowa's SRF Kaizen Experience



Lori Beary
Iowa Finance Authority

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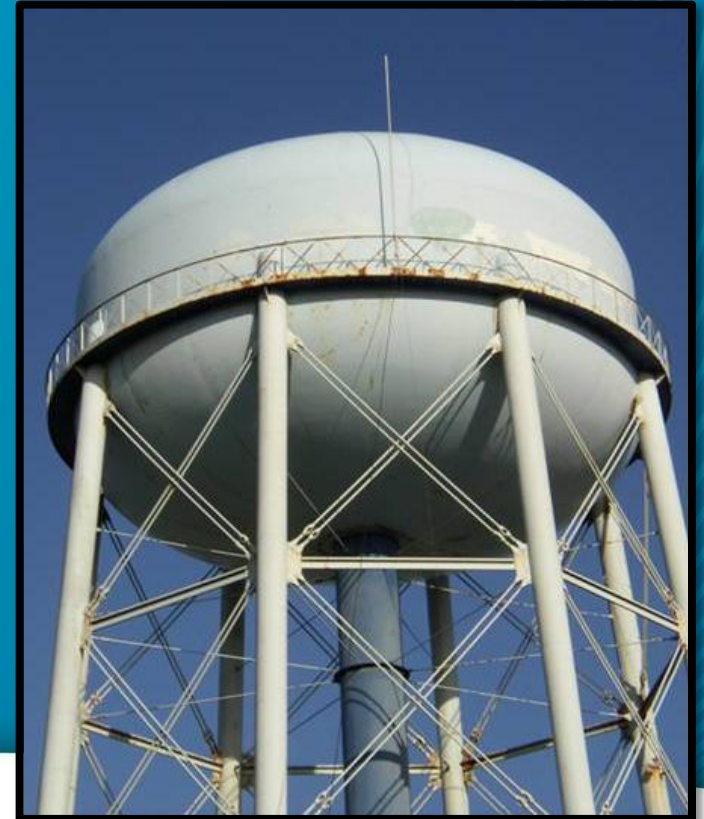
Iowa's SRF

\$2.5 billion in loans

\$1.4 B – current loan portfolio

Leveraged cap grants 300%

\$194 M Non-point source



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Iowa's SRF

It wasn't always so.....

- **Financial Inefficiencies**
 - Overleveraged
 - Excess cash
 - EPA questioning need for cap grants
- **Program Inefficiencies**
 - Approval process took too long
 - Inconsistent process



2001 Financial Restructure

- Refunded all outstanding debt
- Cross-collateralized funds
- Instituted flat 3% interest rate for all loans
- Released excess reserves to create Equity Fund (\$80 million)
- Ratings increased from A+ to AAA



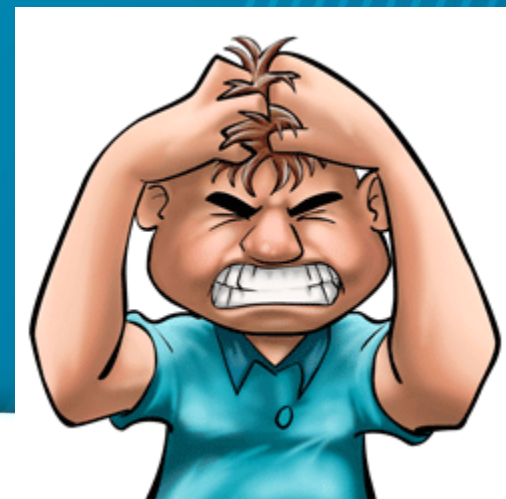
Program Restructure

- **Finances in order but still not enough demand**
 - 28 months for facility plans to be approved
 - Only communities using the program were those that had no other options
- **March 2004 – CWSRF Kaizen Event**
 - Deconstruct / reconstruct process



Kaizen in Iowa

- June 2003, businesses in Iowa complained that it took too long for air quality permits
 - Hampering economic development
 - Inefficient process
- Suggested DNR go thru Kaizen process
- Offered to pay for consultant
 - TBM (Time Based Management)



Kaizen in Iowa

- Results for Air Quality
 - Construction permit process steps reduced from 23 to 7
 - Average time to issue a standard air quality permit decreased from 62 days to 12 days
- Administration encouraged other programs to go thru Kaizen process



Who Participated

- DNR WW engineers (3)
- DNR Management (2)
- DNR Field office (2)
- IFA representatives (2)
- Consulting engineers (3)
- Representative from City (1)
- Other state agencies (CDBG / SHPO)



Program Restructure



CWSRF Issues

- Application process / requirements were not clear
 - Tribal knowledge
- No consistent standard process
 - Different engineers did things differently
- Need to transition from construction grants to SRF



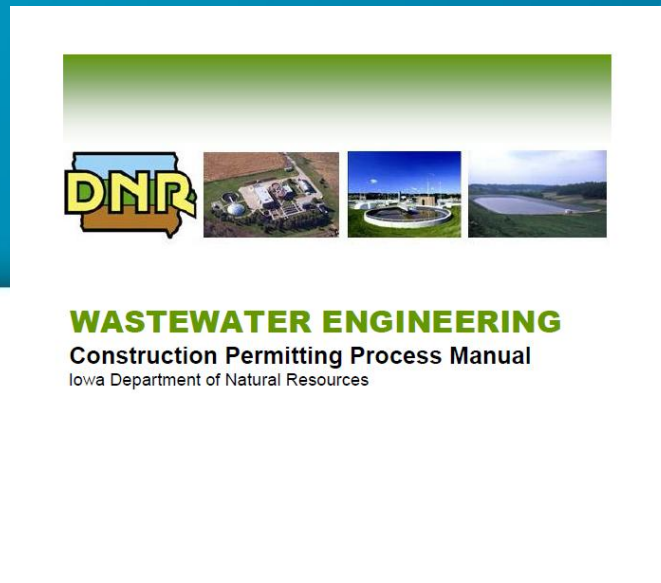
Kaizen Summary

	<u>Old Process</u>	<u>New Process</u>	<u>Change</u>
<u>Total Steps</u>	235	112	52.3% Decrease
<u>Number of Loops</u>	14	12	14.3% Decrease
<u>Number of Delays</u>	11	3	72.7% Decrease
<u>Number of Decisions</u>	26	8	69.2% Decrease
<u>Number of Tasks</u>	141	70	50.4% Decrease
<u>Number of Handoffs</u>	43	19	55.8% Decrease
<u>Percent (%) Value Added</u>	6%	11%	5% Increase



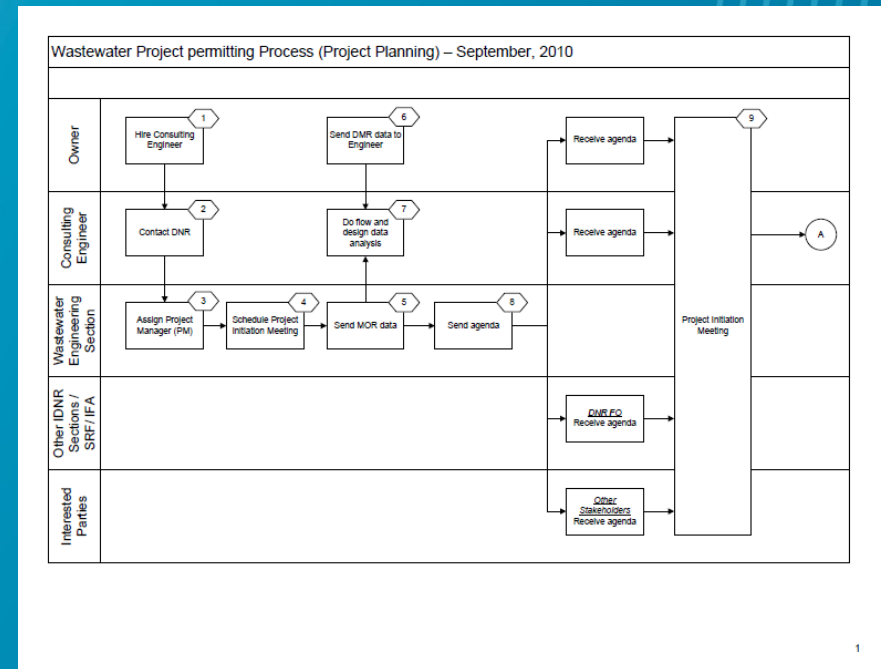
Program Restructure

- Created CWSRF process manual
- Better defined requirements for facility plan
- Created SRF Program Manager position
- Further separated environmental / technical review from financial tasks (DNR / IFA)
- Began pre-planning meetings with all borrowers and their consultants
- Checklists developed
- IUP updated quarterly



Other SRF Kaizens

- Cross Cutters
- Loan Processing & Disbursements
- NEPA / environmental review



Take Aways

- Must have support from management
 - There will be resistance
- Must have support of stakeholders
 - Goal is to improve process / not reduce staff
 - A bad process ≠ bad worker
- There will be unhappy people
 - Roles / responsibilities may change
 - Change can be scary



Take Aways

- Continuous improvement
 - Planning & Design loans
 - ER specialists
 - Weekly disbursements via ACH
- Immediate implementation
- Significant time commitment



