
Wastewater Treatment Division **Productivity Initiative** Annual Report 2004



King County Department of
Natural Resources and Parks

November 2005



Productivity Initiative
Pilot Program
Annual Report 2004

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In 2004, for the fourth consecutive year, the Wastewater Treatment Division's Productivity Pilot Program generated savings for ratepayers. The total savings to ratepayers as a result of the Pilot Program now totals more than \$25 million.

The Pilot Program establishes annual savings targets for the wastewater operating program, and provides that savings achieved by employees in excess of those targets be shared 50/50 between ratepayers and employees as a financial incentive to "do better than promised." Although employees did save more than \$9 million in planned savings, program expenses in 2004 exceeded the actual target. As a result, the savings achieved in 2004, unlike the three previous years, were not sufficient for employees to earn a financial incentive.

While disappointing, particularly to employees, these results were not altogether unexpected. As was predicted when the ten-year program was launched, opportunities for savings have become increasingly harder to identify and implement with each year of the Productivity Initiative. It was understood then that 2004 (and 2005) would most likely pose the greatest challenges in terms of achieving the annual targets.

2004 target vs. actual expenditures.

The annual productivity target is established using 2000 operating costs as the baseline for what it should cost to operate the wastewater program. From that baseline, an annual target is calculated based on projected operating savings to the program for the years from 2001 to 2010, with a three-percent escalation assumption for inflation. The result is an annual unadjusted budget total.

From that figure, annual adjustments are made to certain items so the program is not penalized for factors outside its control, such as new work mandated from outside the program, fluctuations in energy prices, and countywide cost-of-living and benefits adjustments. In 2004, WTD Finance and Human Resources staff also conducted a thorough review of how Class/Comp Project adjustments were accounted for in the 2004 target.

The 2004 productivity target, after adjusting for factors outside the program's control, was \$65,104,065. The program's actual expenditure was \$65,697,769, which, although well under its budget authority, exceeded its productivity target. The program's target overexpenditure was \$593,074. Like underexpenditures, that overexpenditure is split equally between ratepayers and the employees' Incentive Fund as specified in the Pilot Plan. The employees' share (\$296,852) was funded from the "Rainy Day" portion of the Incentive Fund, earmarked by employees in the first year of the program for this purpose.

2004 Balanced Scorecard results.

The Pilot Program uses a Balanced Scorecard as the primary management tool to measure the organization's overall performance in achieving the Pilot Program objectives. (More details about the Balanced Scorecard are included in this report.) In 2004, substantial progress was achieved in nearly every measurable parameter in the Balanced Scorecard. Most notably, both regional treatment plants maintained their "outstanding" national standing in 2004 for zero discharge violations. Other Balanced Scorecard areas where the program surpassed its 2003 measurements include employee training, number of accidents, employee satisfaction, and customer satisfaction (as measured by surveys).

Mid-course re-examination efforts.

This annual report contains an analysis of our 2004 productivity efforts and compares the 2004 results with results from the preceding three years of the Productivity Initiative. The delay in preparing this annual report is due to a mid-course re-examination of how the program is accounting for its expenditures and calculating its target.

As a result of this re-examination, the five labor organizations that represent WTD employees (plus management and nonrepresented employees) identified appointees to a 12-member Technical Review Committee to propose some changes for the remaining years of the ten-year Productivity Initiative Pilot Program. The Technical Review Committee has been tasked with making recommendations to help improve the program and helping ensure that the program's financial targets are reached in the remaining years of the Productivity Pilot Program. The Committee is also tasked with making recommendations for mid-course changes in how the program is administered.

2005 and 2006 targets.

The 2004 productivity results clearly demonstrate what the consultants who helped design the Pilot Program asserted when the program was developed; namely, that the wastewater program was already doing a good job, and that finding additional efficiencies would become more difficult over time.

Wastewater program management, labor organizations, and employees have dramatic evidence from 2004's results that changes will be required in order to meet future productivity targets. Identifying a Technical Review Committee is an important step in increasing labor's involvement in making improvements to the Productivity Initiative Pilot Program, and perhaps more importantly, in making sure the program is well accepted and understood by employees.

Given 2004's results, management and WTD finance staff have closely tracked 2005 costs as they have been incurred. Several months ago the division took steps to "freeze" hiring, training requests, and overtime requests, and to make other internal decisions that would affect 2005 operating expenses as temporary measures while new strategies for meeting the 2005 and 2006 target were put in place.

Business Planning for 2007-2010.

The program's business plan, developed in 2000 to guide business practices for the first phase of the Pilot Program, is being updated now for 2007-2010, and will now include staffing plans for the Brightwater facility. The plan outlines both short-term and long-term actions required to meet targets, particularly how to accomplish new work within existing staffing levels.


The program has also taken steps to bring the capital program directly into the Productivity Initiative program. We are pursuing an asset management pilot project and setting productivity targets for major capital projects, including the Brightwater Treatment Plant. However, setting boundaries around what will be measured and identifying third-party consultants to independently set productivity targets has been challenging. To our knowledge, our program is the only public wastewater operation nationwide that is attempting to design an internal productivity program for capital projects.

Summary.

As expected, the initial years of the Productivity Initiative yielded operating program savings that were relatively straightforward to identify and implement. Savings in the remaining years of the Productivity Initiative will require more dramatic changes in how the program conducts its business, and will take the cooperation of management, employees, and the labor organizations that represent wastewater employees. The program will also be asking the Executive and Council to consider re-examining some of the assumptions made when the program was launched in 2000, in light of what we have learned since then.

I'm looking forward to using this opportunity to refine the Productivity Initiative Pilot Program, using the lessons of 2004 as well as the past years' productivity results. I'm appreciative of the support for the program that has been shown by our elected officials, labor organizations, King County Finance Office and DNRP staff, and most of all, WTD employees.

Sincerely,



Don Theiler
Division Director

cc: King County Executive Ron Sims
King County Councilmembers
King County Department Directors
Pam Bissonnette, Director, DNRP
Bob Burns, Deputy Director, DNRP
Lorraine Patterson, Assistant Director, WTD
WTD Productivity Initiative Participants

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2004 Operating Program Financial Results

Productivity Budget Target vs. Actual Expenditures

The Productivity Initiative business planning process had previously identified actions that could be taken to reduce the wastewater program's annual core operating budget, sometimes referred to as "inside the fence." The core elements of the wastewater program comprise about 77 percent of the operating budget, and are considered expenses within the direct control of the Wastewater Treatment Division. They include:

- Wastewater operations and maintenance
- Biosolids
- Laboratory
- Industrial pretreatment
- Division Administration
- Selected Asset Management activities
- Facilities planning
- Planning

The reductions planned for 2004 totaled \$10.1 million from the 2000 base, adjusted for inflation and which includes ongoing savings implemented in 2001, 2002, and 2003. Subtracting the planned reductions from the inflation-adjusted 2000 baseline budget, a core operating budget target of \$61.78 million was established for 2004.

At year-end 2004, the budget target was further adjusted for cost factors considered beyond the control of the wastewater program. Examples of these cost factors are price changes of the major chemicals utilized in the treatment process, electricity price changes, and odor control costs. (An explanation of how adjustments are made is included in this report.)

The adjusted budget target was computed to be \$65.104 million, an increase of \$3.324 million from the original unadjusted target.

Actual expenditures for the core operating budget were \$65.70 million. This represents an overexpenditure of about \$593,704 for the year. There would have been a significantly larger overexpenditure if not for actions taken by employees to maintain previous cost saving actions and initiate new ideas to cut costs.

The target budget, target budget adjustment process, and savings calculations have been reviewed by the Department of Natural Resources and Parks Finance Section and King County Budget Office. No material discrepancies were reported.

Accounting for Planned Actions

At year-end, actual reductions achieved by the original planned actions totaled more than \$7.92 million, which was slightly less than the \$8.1 million used in the original target calculation. Highlights of the actual planned actions are as follows:

- Install high solids centrifuges at West Point, \$169,000
- Procure biosolids truck /trailers rather than use contractor-supplied, \$253,000
- Improve grit handling/reduced haul costs, \$154,000
- Energy management at South Plant, \$540,000
- Use reclaimed water instead of purchasing potable water, \$519,500
- Reduce positions, \$1,100,000
- Reduce consultant services, \$348,000

Additional Savings Attributable to Employee Actions

Employee-initiated actions that contributed to achieving the 2004 target included:

Recycled digester cleanings at West Point: \$33,292.

West Point staff modified a rotary screen and an abandoned dewatering channel to process and dewater the grit that resulted from cleaning Digester #2 at West Point. The resulting debris was clean enough to be recycled as biosolids and did not have to be landfilled.

Improved technology in underground structural leak repairs: \$30,000.

Using improved chemical grout injection techniques resulted in more successful repair of underground leaks and that have not required reinjections.

Interjurisdictional coordination for single excavation: \$28,744.

Staff scheduled inspection work to take advantage of excavation work being done by another utility, avoiding costs to the program for excavation work or additional permits.

Reducing five-year inspection schedule to seven-year schedule: \$14,270.

Staff initiated an extension to the outfall inspection schedule from five to seven years, based on previous five-year inspection results.

Utilizing King County Road Services for paving repairs: \$17,342.

Paving repairs were coordinated with King County Road Services rather than contracting out the work, which saved the wastewater program any additional overhead charges.

Using in-house labor for hazardous waste handling rather than contractors: \$2,374.

In-house staff trained and certified to perform hazardous material field surveys, sampling, and project management were used for work previously performed by consultants.

Using in-house CCTV inspectors rather than contractors: \$26,940 (net).
In-house staff performed closed-circuit television inspection work previously contracted out, using equipment purchased in 2003.

Reconfiguring crane inspection contract: \$9,88.1
Staff reconfigured the crane-inspection contract from an annual to a three-year contract and regrouped common-size cranes for load testing purposes.

Modifications to on-call procedures: \$6,511.
Staff modified on-call procedures to proactively identify and screen requests for inspections, thereby reducing the inspector labor, vehicle expenses, and travel time required.

Increased use of technology to streamline design review and comment process and make efficiencies in field inspections: \$26,927.

The Local Public Agency Program increased its use of technology to streamlining the design review and comment process by using electronic media instead of using paper documents and courier services; and coordinated and made more efficient its field inspection route process to reduce staff time lost in travel.

Changes to electrical program inspection cycle: \$56,138.
Offsite staff initiated changes in electrical system inspections by streamlining and consolidating multiple, individual inspections into just four group sessions. Funds for relay replacements could be deferred because a recent condition assessment extended the useful life of this equipment due to good prior maintenance.

Extending external corrosion-cathodic inspection cycle: \$14,270.
The corrosion-cathodic inspection cycle was extended from five- to seven-year cycles, which was possible as a result of having just completed two five-year cycles. Less-frequent cathodic protection system inspections were the result of improved inspection technology and data collection.

Trained in-house staff to perform minor crane repairs instead of contracting out the work: \$27,299.
In-house staff were trained and used to perform crane repair work, such as signage and electrical switch replacement, previously performed by contractors.

Using in-house staff to clean sewer "rock boxes" instead of contractors: \$4,604.

In-house staff, after modifying equipment already owned by the program, performed work to clean out sewer “rock boxes” that had previously been contracted out to contractors with specialized equipment.

Repaired three secondary “lily-pad” scum skimmers at South Plant rather than purchase replacements: \$9,100.

Staff used E-Necon coating to repair three scum skimmers at a cost of \$100 per unit rather than purchase new scum skimmers at a cost of \$3,400 per unit.

Business Plan Results

New savings to be achieved through the wastewater program business plan in 2004 were projected at \$1.5 million. Most—but not all—of the planned actions were successful. The vacancy rate was maintained at three percent, reductions were made in administrative staff, specific operating activities achieved savings at or above projected levels, and revenues from septage received for treatment and the capacity charge program met or exceeded projections.

Anticipated savings, however, related to high solids centrifuges, energy management, reclaimed water, and overtime did not materialize at anticipated levels, nor did increased revenues projected from the West Point co-generation project occur. Combined performance of business plan savings items yielded \$1.2 million in savings, about 20 percent less than projected.

Details about some of the costs that were higher than anticipated in 2004 include:

Salary increases over cost-of-living adjustments (COLA). The annual productivity target includes costs for salaries plus COLA, based on the 2000 operating budget. Costs other than COLA, such as costs of reclassifications, job progressions, merit pay, and wage increases as negotiated in labor settlements are considered within the program’s control and are not part of the adjustment process.

In 2004, additional costs associated with salary increases totaled \$1,869,604, including about \$1.1 million due to wage increases as part of contract negotiations. (These expenses will also be carried forward as 2005 obligations.) The wage increases benefited some WTD employees, but also reduced the margin between the target and actual expenditures.

Telecommunication devices and service charges. The use of telephones, cell phones, and pagers by WTD employees has grown over the past few years. Increases in service charges for those devices have also risen. The result is about \$104,000 more in 2004 charges for telecommunications than in the adjusted productivity target.

Chemical usage costs. Although the costs of chemicals increased in 2004, the Pilot Plan provides for adjustments for costs that are considered outside the program's control, and those increased costs were accounted for in the revised target. However, more chemicals were used than planned. The additional chemicals resulted in an overexpenditure of \$760,708.

Unrealized revenue. The program also did not realize revenue that was planned for 2004. The biggest source of this lost revenue, about \$367,223, was the delay in implementing the co-generation project at West Point until 2007. Although every effort was made to keep the existing units operating, their age and the difficulty in obtaining parts made it impossible. The delay in installing the high-solids centrifuges at South Plant also cost about \$350,000 in additional hauling and processing costs.

Salary Savings

As in previous years, in 2004 the wastewater program operated with a significant level of vacancies. In part, this was to fulfill the business plan savings requirement of a three-percent vacancy level over the term of the full year. However, a number of sections in the program went well beyond this minimum vacancy requirement. Examples include:

WTD Director's Office

- Work associated with the training program was performed for a year despite vacancies in the assigned position, then one of the vacancies was released for use by the Brightwater project.
- Staff in the Director's Office collaborated to carry out the work of the operations Productivity Initiative after the incumbent accepted another position.

Finance and Administration Section

- A vacancy in the capacity charge program created an opportunity for employee cross-training.
- After a TLT employee assigned to input grievance files into a tracking system accepted a permanent position in another department, two other employees in the unit absorbed the remainder of the work.
- A Senior Human Resources analyst accepted a permanent position but Human Resources staff continued to cover the duties of the vacated position.
- Technical Publications staff performed the duties of a co-worker on leave of absence.

East Section

- East Section operated all areas of the treatment plant and maintained the operation and upkeep of the offsite facilities throughout the term of vacant positions.

- Even with a workload increase, the design, startup, and troubleshooting of plant capital improvement projects was accomplished with a reduced team. A good portion of the work was picked up by other staff, including exempt employees working beyond their regularly scheduled hours.
- Two Instrument Technician positions experienced vacancies in 2004. All the duties were performed by the current work group, and significant work has been done by this group to evaluate and reduce the frequency of preventive maintenance activity, thus freeing up capacity for new work.

West Section

- A series of operator positions were left vacant for periods of time during the year. The remaining operations staff continued to operate the facilities and met the performance requirements, earning the AMSA Gold Award for zero permit exceptions during 2004.
- Duties of supervisor positions were performed by workers in acting assignments during vacancies.
- Process analysts absorbed the workload of a position vacant for the entire year.
- Vacancies in inventory purchasing specialist, custodian, and gardener positions were accommodated by other employees.
- While not performing the entire body of work, employees took on the duties of vacant utility worker positions and maintained the basic workload.
- The workload for vacant positions in industrial maintenance mechanic, industrial electrician, and industrial instrumental technician classifications was distributed among other members of the classification, who put in extra effort to meet the workload. Similarly, the duties of an industrial mechanic lead were covered by an acting assignment during the term the position was vacant.
- A temporary employee filled in to provide technical and administrative functions during the term of a vacancy in a wastewater support assistant position.

Environmental Laboratory

- Several positions in the laboratory assistant, environmental lab scientist, and environmental lab supervisor classifications were vacant during 2004. The workload was absorbed by other employees, including some working under acting assignments.
- Duties associated with an environmental laboratory scientist in the Environmental Services Unit, a Productivity Initiative cut in 2005, were absorbed by other employees in this classification.

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Targets and Adjustments

The original productivity targets were established in 2000 during the development of the Pilot Program. The baseline for the targets was the 2000 budget.

County staff worked with the consultants, HDR Inc., to develop the program. The first step was to identify what a private operator would “charge” to run King County’s wastewater system. The result of this exercise indicated that King County was spending about 15 percent more than what a private contractor would charge. Based on that analysis, it was decided to reduce the baseline 2000 budget incrementally over five years (2001-2005) to achieve the 15 percent reduction. This became the basis for the target.

Once that target savings was established, steps were taken to construct a program that would mirror how a private operator would structure a contract. It was recognized that there are a number of reasons why the cost of operating the program would increase over time, and these factors were incorporated into the program.

The first of these items was *new work*. The 2000 budget was based on a specific set of activities and, just as a contractor would charge extra for being asked to perform additional work, the target was adjusted to reflect the cost of operating and maintaining new facilities that were anticipated to come online between 2000 and 2010. The program also allowed the target to be adjusted for any new work that was not captured in the initial development of the Pilot Program, and was imposed on the program by directives originating from outside the program.

Another factor to be adjusted was additional costs associated with inflation, increased loading, and other factors. These adjustments were defined in Appendix C-7 of the Pilot Program documents.

Appendix C-7 includes adjustments for cost of living (COLA), increased loading, commodity price increases (such as polymer), and items such as benefits that are outside the control of the wastewater program. One of the challenges was to determine how to capture increased load. After considerable discussion, it was decided to use the number of customers (as reported in the form of Residential Customer Equivalents, or RCEs).

These adjustments are applied differently depending on the parameter. The following are a few examples:

- Salaries are adjusted by the actual COLA.

- Benefits are adjusted by the actual benefit rate established by the county and charged to WTD.
- Chemicals and power are escalated by the increase in the RCEs, and that adjusted value is multiplied by the current cost to get the new dollar value.
- Materials and supplies are escalated by the increase in RCEs and by the actual COLA.

Once all of the adjustments are made, the target for each year is calculated.

With five years of experience using the adjustment process, the program is revisiting the target adjustment process now. The goals are to identify any problems in the methodologies that may have resulted in inaccurate adjustments, identify areas where adjustments are needed but were not incorporated in the original document, and to develop a method for calculating each year's target that can be more easily understood and communicated.



Proposed Changes in Methodology

The C-7 adjustments were applied to 2001, 2002 and 2003 productivity results as they were devised in 2000. During those years, Productivity Initiative participants indicated that the adjustments were hard to understand and communicate, and if possible, should be made simpler. Of particular concern were making sure the calculations took into account all expenses outside the program's control, including how adjustments across the bargaining units within the division for the Class/Comp Project had been captured.

In consultation with the bargaining unit leadership, a new Technical Review Committee was formed that included representative from each labor organization, management, and nonrepresented employees. The TRC began meeting in late spring 2005 to look at how best to identify "new work" and to discuss recommendations for making changes to C-7. The Committee's recommendations, after being considered by the WTD Management Team, will be presented to the Department Director, King County Finance Office, and County Executive for their consideration.

Technical Review Committee (TRC) Charter: Committee Objectives

The overall role of the TRC is to conduct a review and recommend updates and improvements to the WTD Management Team regarding the Productivity Initiative. Committee members will work with their labor representatives and fellow employees to keep them informed of the issues that arise and to convey their sponsor's interests during the reviews.

Responsibilities include:

- Review and comment on the 2004 operating program results.
- Review and comment on the proposed changes to the C-7 elements.
- Review and recommend changes to the "inside" and "outside" fence elements.
- Review and recommend any other changes as may be needed based on the 2004 review.
- Review, comment, and, where appropriate, recommend strategies to be implemented to achieve the 2005 Productivity Initiative target.
- Review and recommend goals and strategies for the 2006 and beyond Business Plan.
- Review and, where appropriate, recommend changes to elements of the Capital productivity program.
- Share insights and understanding of the Productivity Initiative with labor representatives and co-workers.

The “Balanced Scorecard” Measurement Tool

In 2000 when the Productivity Initiative was launched, the wastewater program developed a Balanced Scorecard as the primary measurement tool by which to gauge the initiative’s success in achieving its goals. Balanced scorecards were developed in the 1990s as tools for businesses and organizations to define performance beyond just financial measurements by providing feedback on performance from multiple perspectives.

Traditionally, performance measurements focused on the financial success. The co-authors of the Balanced Scorecard, Harvard Business School professors Drs. Robert Kaplan and David Norton, state that:

Financial measures tell the story of past events, an adequate story for industrial age companies for which investments in long-term capabilities and customer relationships were not critical for success. These financial measures are inadequate, however, for guiding and evaluating the journal that information-age companies must make to create future value through investment in customers, suppliers, employees, processes, technology, and innovation.

The Wastewater Treatment Program’s Balanced Scorecard, which is included in the Appendix to this report, consists of performance measurements in four quadrants:

- Key Internal Processes
- Financial Parameters
- People Management
- Customer Focus

Working closely with labor and employee committees, the program established performance measurements within each of the four quadrants. The Balanced Scorecard allows the wastewater program to focus on measurable goals and uses its feedback to continuously improve performance and achieve its goals.

In 2003, under the direction of lead Elsie Hulsizer, Industrial Waste Program Manager, key wastewater staff received training on entering and displaying Balanced Scorecard data using specialized software (pbViews®). (An abbreviated version of the 2004 results is included in the Appendix; the full text is available at <http://dnr-web.metrokc.gov/wtd/Manager/Productivity/BS/index.htm>.)

Productivity Incentive Fund Committee

Report on Committee Activities

The Productivity Incentive Fund Committee experienced a significant turnover in membership in 2004. Edie Lackland replaced Lida Anderson and Jean Robb replaced Nancy Robbins for Local 117. Rob LaRock also acted as an interim Local 117 representative. Peggy Rice replaced Denise Healy for Local 1652-R. Brian Duncan replaced Roger Browne for TEA. Bryon Burris tracked the finances of the Productivity Initiative, and when he left mid-year, his productivity-related work was taken over by Brent Bills and Jalaine Madura.

The Committee obtained final approval for the WTD Productivity Initiative policy on the use of the Flexible Fund portion of the Incentive Fund for employee recognition. This policy details specific amounts for refreshments and gifts for retirements, individual section events, and Productivity Initiative recognition awards. There were 15 retirement and section events in 2004, for a total expenditure of \$10,000 from the Flexible Fund. This policy is unique to the wastewater treatment program and employee feedback was generally very positive.

Several requests for money from the Flexible Fund were reviewed by the Committee. An expenditure from the Flexible Fund was approved to send four additional employees to WEFTEC (Water Environment Federation Technical Exhibition and Conference) and another to fund 50 percent of the travel costs to send 11 employees to the Pacific Northwest Clean Water Association conference.

The Committee reviewed the 2003 financial information regarding the expenditures and the target, including salary savings and business savings. They made recommendations to the Director on the disposition of the 2003 savings for a payout in 2004.

Additional Committee activities in 2004 included:

- Updating the eligibility guidelines.
- Seeking suggestions for saving money and proposals for using investment funds from the work force.
- Monitoring the financial status of the Incentive Fund throughout the year.
- Tracking the progress of the extension of the Productivity Initiative to the capital program.

- Revising the Committee charter to include length of committee membership, a process for membership turnover and the standards for a quorum when making decisions regarding the Incentive Fund.

Meeting Summaries

October 7, 2004.

The Committee received a financial status report and discussed proposed changes to its charter about member participation, term limits, replacing members, quorums, attendance, and frequency of meetings.

September 16, 2004.

The Committee welcomed two new members; heard updates on the capital Pilot Projects and plans for calculating 2004 salary savings; acted on a request to use Incentive Funds to send 11 WTD employees to PNPCA (Pacific Northwest Pollution Control Association); revisited potential savings from sales tax exemption; and discussed administrative matters.

August 9, 2004.

Via an e-mail vote, the Committee approved seeking travel authorization for five WTD employees to attend WEFTEC 2004, with expenses to be paid from the flexible fund portion of the Incentive Fund.

July 1, 2004.

The Committee (1) heard reports on two productivity savings suggestions (streamlining the timekeeping process and saving on airfare) and (2) discussed how to proceed with the approved policy on using flexible funds for employee recognition purposes.

May 6, 2004.

The Committee completed its recommendation on the 2003 Incentive Fund; discussed two savings proposals; and briefly discussed how best to solicit ideas for investing in future years of the Productivity Initiative.

April 15, 2004.

The Committee continued its discussion of the 2003 Incentive Fund target and savings. Committee members did not make a determination about what it would include in its payout recommendation, but rather decided to seek guidance from their constituents and make a final decision on their recommendation at their May 6 meeting.

March 18, 2004.

The Committee welcomed new member Peggy Rice; heard a status report on approval of the capital program pilot plan; received a preliminary report on whether the program achieved its 2003 operating target; and reviewed potential

underexpenditures from employee actions and vacancies that could be claimed for the 2003 Incentive Fund.

January 15, 2004.

The Committee discussed the status of reviewing 2003 savings; a savings suggestion received from TARR (Technology Assessment and Resource Recovery); changes and clarifications to the Administrative Guidelines for administering payouts; and the status of 2003 savings submittal forms.

(The full text of notes from these meetings can be found on WTD's intranet, at <http://wtdweb/www/Manager/Productivity/FOCminutes.html>)



(Incentive Fund Committee members, front row, from left: Mark Lucas, Brian Duncan, Despina Strong, Curtis Steinke, Jack Irby, and Jean Robb; back row, from left: Dick Finger, Peggy Rice, Cynthia Hickey, and Kat Hallberg. Not pictured: Edie Lackland, Jim Laremore, Leon Maday, Laurie Slaughter.)

Capital Program and the Pilot Plan

Major Capital Projects

In 2004, the King County Council approved legislation extending the Productivity Initiative to the major capital and asset management portions of the capital program (see Appendix). With that approval secured, staff from the Major Capital Improvement Program (MCIP) and the WTD Director's Office developed the remaining framework policies and procedures, including how productivity targets for major capital projects would be set.

The legislation requires that such targets be determined by an independent third party. The next stage of activity in implementing the MCIP component of the Productivity Initiative involved development of more detailed procedures for how that target setting would be accomplished, release of a Request for Proposals to the consulting community, selection of two consulting firms, and completion of the work order contracts.

As 2004 came to a close, the first work order under the MCIP Productivity Initiative was issued to Currie & Brown, one of the two consulting firms, for target setting for the Brightwater project.

Asset Management Pilot Project

The Asset Management Pilot Project's focus is threefold:

- To develop a formal asset management program that makes and documents effective decisions based on cost, risk, and customer service requirements;
- To develop a process to measure the effectiveness of that program against a standard for a well run similar wastewater utility, including cost and system reliability; and
- To provide employees with financial incentives for performance that exceeds the standard.

The program is based on the premise that a more formal, documented asset management program that considers risk, cost, and service will yield reduced costs and maintain reliability. This in turn would be reflected in improved performance measurement over the years. The documented results of that improved performance will result in cost savings to the ratepayer and financial gainsharing opportunities to employees.

In 2004, the program developed in principle a sample set of equipment assets has been surveyed for their ability to meet the service requirements and future spending needs. In addition draft cost performance targets were developed based on *preventive maintenance*, *minor corrective actions* (less than \$5,000); *repairs* (costing over \$5,000); and *replacement*.

Establishing good measurable targets is a key to the success of adding capital funds to the Productivity Initiative Pilot Program. (*Preventive maintenance* and *minor corrective actions* are funded by the operating budget.) In late 2004 a consultant group was retained to validate or establish a cost and condition target to be used to evaluate 2005 performance. The intent is to include these targets as part of the 2005 productivity program.

In-House Capital Projects

The process for approving and tracking in-house capital projects was developed by the Special Projects Team in consultation with staff from the Asset Management Section and the treatment plants. Several projects are expected to be completed in 2005-2006.



Comparison of Productivity Initiative Results by Year

	2001	2002	2003	2004
Operating budget target	\$62,283,000	\$62,006,000	\$61,467,000	\$61,780,022
Adjusted budget target	\$78,030,000	\$65,786,000	\$61,628,000	\$65,104,066
Actual expenditures	\$62,898,000	\$60,431,000	\$60,687,000	\$65,697,769
Under/over-expenditures	\$9,132,000	\$5,355,000	\$941,889	(\$593,704)
Documented savings for Incentive Fund	\$2,762,000	\$1,670,956	\$941,889	
Ratepayer share (50%)	\$1,381,000	\$835,478	\$470,944	(\$296,852)
Employee share (50%)	\$1,381,000	\$835,478	\$470,944	(\$296,852)
Total payout to employees	\$750,685	\$766,884	\$432,178	0
Payout per employee (full share)	\$1,260	\$1,253	\$681	0
Administrative costs	\$67,336	\$68,594	\$38,765	0
Contribution to Rainy Day Fund	\$400,000	0	0	(\$296,852)
Contribution to Flexible Fund (future investments)	\$162,979	0	0	0

Productivity Initiative Savings Activity to Date

Total Ratepayer Savings (Target Savings Plus 50% Incentive Fund)

	2001	2002	2003	2004	Total to Date
Business Plan savings (excluding transfers to capital)	\$2,560,000	\$4,640,000	\$6,260,000	\$9,358,781	\$22,818,781
Ratepayer share (50%) of Incentive Fund savings after target has been met	\$1,380,000	\$836,000	\$471,000	(\$296,852)	\$2,390,148
Total Ratepayer Savings	\$3,940,000	\$5,476,000	\$6,731,000	\$9,061,929	\$25,208,929

Productivity Incentive Fund Activity

	2001	2002	2003	2004	Total to Date
Savings to ratepayers (50%)	\$1,380,000	\$835,478	\$470,944	(\$296,852)	\$2,389,570
Savings to employees (50%)	\$1,380,000	\$835,478	\$470,944	(\$296,852)	\$2,389,570
Employee payouts (one full share)	\$1,260	\$1,253	\$681	\$0	\$3,194
Administrative Costs Associated with Employee Payout	\$67,336	\$68,594	\$38,765	\$0	\$174,695
Investment Fund	\$162,979	\$6,980	\$4,861	\$3,695	\$178,515
Rainy Day Fund	\$400,000	\$17,089 (interest only)	\$11,930 (interest only)	(\$284,785 shortfall less interest earned)	\$144,234

Appendix

Executive Audit Report

August 10, 2005

MEMORANDUM

TO: Donald Theiler, Director, Wastewater Treatment Division
Department of Natural Resources and Parks

FM: David Lawson, Manager, Executive Audit Services

RE: Productivity Initiative

Attached is our report on our examination of the Productivity Initiative target adjustments for 2004. In our opinion, with the exception noted in our report, the Division's presentation is consistent with Attachment C-7 to the program agreement.

We did not audit the Productivity Initiative Program and express no opinion of it. In our opinion, however, the 2004 target, overall presentation, and expenditure totals, except as mentioned above, appear consistent with the intent of the program and with prior year results.

* * * * *

Executive Audit Services Report on Examination of 2004 Adjustments to Productivity Initiative Target

Purpose

At the request of the manager of the Wastewater Treatment Division (WTD) of the Department of Natural Resources and Parks, Executive Audit Services has reviewed WTD's Productivity Initiative target budget adjustments for the year 2004. The purpose of our examination was to determine whether or not adjustments were consistent with the design and intent of the Productivity Initiative Pilot Program as originally established, and to evaluate the overall reasonableness of the target and actual expenditure totals as compared to prior years.

Scope

We held discussions with the WTD Finance Manager, West Division Manager, and Division financial analysts. We examined background documents

establishing the Productivity Initiative Program and became familiar with the model used to establish the Initiative target. We compared current and prior year target adjustments for consistency of method and application, compared actual performance to prior years, and agreed reported 2004 expenditure totals to IBIS records.

Because of time constraints established by WTD to meet their reporting deadline, we limited the scope of our examination to an assessment of whether or not the target adjustments, target totals, and actual totals appeared reasonable and consistent with stated program intent and goals and prior year results. We did not perform an overall evaluation of the Initiative Program, its purpose, efficacy, administration, or actual performance; consequently we express no opinion thereon. We will perform such an evaluation in conjunction with other compensation work currently in progress.

Background

In April 2001 the King County Council passed a resolution approving the Wastewater Treatment Division Productivity Initiative Pilot Program proposed by the King County Executive. The goals of the initiative were to more efficiently manage and operate the wastewater utility while reducing costs and continuing to meet customer and regulatory commitments. The goals were to be accomplished by applying private sector business practices to improve efficiency and by creating an employee incentive program to identify cost saving initiatives.

The program established accountability measures based on the 2000 operating expense budget. The cost reduction commitment applies only to core elements of the budget over which the Division exercises some control, commonly referred to by WTD staff as “inside the fence” costs. These include, for example, operations, maintenance, and administration comprise approximately 76 percent of the base year budget. The remainder, referred to as “outside the fence” costs, consists of county support activities and other programs over which the Division has no control.

Each year the target forecasted budget is adjusted for factors beyond control of the utility. The forecast necessarily includes assumptions such as inflation rate, changes in cost of chemicals and materials, cost of living increases, and other factors. The target budget is then adjusted when actual expenses become known. Performance is measured by comparing the adjusted initiative target budget to actual expenditures. The annual budget target adjustment procedures are detailed in Attachment C-7 to the Productivity Initiative Pilot Program Plan as approved by council resolution.

Each year since the program’s inception, the under-expenditure, or difference between the target budget and actual expenditures, has decreased. While this is

not an unexpected result, it has prompted the Division to examine parts of the program that may be moving away from the goals to look for more efficiencies, and well as to reexamine the forecast model to see if the forecast could be made more accurate.

The Division's analysis determined that the original target, on which all subsequent targets were based, did not include the effects of classification compensation adjustments on salaries and benefits, which would not have been predictable at the time. The Division asked Executive Audit Services to examine the forecast model and comment on their proposed treatment of the effects of compensation reclassifications.

Division management also asked our opinion on two adjustments for state sales and use tax affecting both current and prior years. In one case, the Division received from the state a tax rebate of approximately \$535,000. This tax was paid on materials used in manufacture and as a result of employee initiative, the state agreed that the tax was not owed. All of the rebate was for taxes paid prior to 2004. In the second case, a state tax audit resulted in an additional tax payment of approximately \$302,000.

Findings

The \$535,000 tax rebate was incorrectly booked as a reduction to expense. Since none of the rebate applied to taxes paid in 2004, we believe the entry should have been shown as miscellaneous revenue. In our opinion, showing the rebate as an expenditure reduction does not accurately present 2004 results and should not be considered a productivity savings.

In our opinion, WTD has been consistent in applying agreed upon principles to the projection model and adjustments to the target budget in accordance with the agreement establishing the program. Target budget and actual expenditures for 2004, with the exception of the tax rebate discussed above, appear reasonable and comparable to prior year results.

Conclusion

We concur with Division financial management that the effects of compensation reclassifications should be adjustments to the 2004 target budget. Although not specifically mentioned in the original projection model, similar conditions over which the Division has no control were contemplated and included as adjustments to the target. These include, for example, changes in county fiscal policy, changes resulting from litigation, and changes in contracts.

The countywide reclassification increased expenditures which were not within the control of the Division and could not be accurately projected, but were nevertheless treated as if they were "inside the fence" expenditures. In our opinion, adjusting the target for the effects of compensation reclassifications on

salaries and benefits for 2004 is consistent with the program plan. We do not recommend adjustments for prior years.

We also agree with Division management that additional taxes paid as a result of the audit should be shown as an adjustment to the target.

Goals, Vision, and Guiding Principles

Goals

- To be recognized as the best publicly owned and operated wastewater treatment system in the nation by 2005.
- To be competitive with any privatized wastewater operation in the nation by 2010.

Five-Year Vision

- Productivity. We are nationally recognized for our productivity and actively share our experience with others in our industry.
- Quality. We maintain and improve treatment, effluent, and biosolids quality. We have no violations and no unpermitted overflows or bypasses.
- Efficiency. We hold the portion of the sewer rate dedicated to ongoing operations to less than or equal to current levels (after adjusting for inflation). We use the most efficient contracting techniques and management systems to minimize capital improvement costs. We continually improve the way we use resources and eliminate barriers to efficiency.
- Safety. We operate the safest wastewater treatment system in the nation.
- Collaboration. We work efficiently across all functional areas in the division and department. We have excellent support systems, and work collaboratively with support services from other King County departments.
- Clarity of purpose. We have clearly established our goals and how to achieve them. We are clear about roles and responsibilities to achieve our goals.
- Customer service. Customers value the service we provide. We are responsive to customer concerns and needs.
- Work place. Business teams have clear work plans and are actively pursuing those plans. Staff is knowledgeable about the “big picture” and our customers’ interests. Creativity is encouraged. Turnover is minimal. Management works collaboratively with unions and nonrepresented employees.
- Employee satisfaction. We have a high level of employee involvement in all areas of our operation. Employees feel they are doing productive work and are rewarded and recognized. Employees take pride and ownership in a job well done. Everyone is heard and no one fears retribution for speaking openly.

Guiding Principles

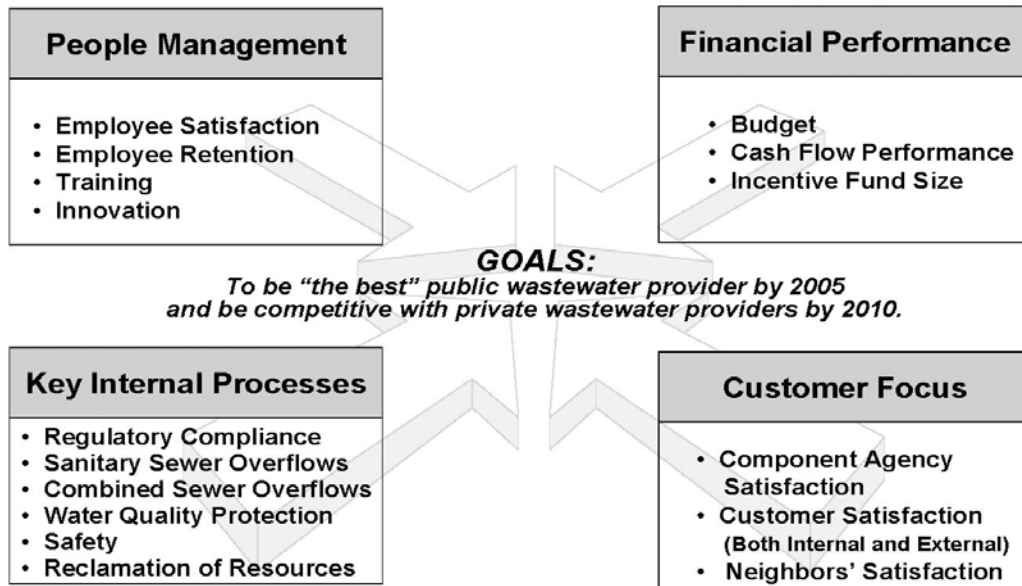
These principles guide our actions in striving for these goals and achieving this vision:

- Accept no compromises in our commitment to protect the environment.
- Recognize that job responsibilities may change and provide necessary training so there are no layoffs.
- Identify two-way communication as essential.
- Promote humor and have fun.

- Listen and respond to one another and our customers with respect, focusing on business and not personality.
- Speak out without fear of retribution.
- Clearly define roles and responsibilities.
- Integrate all parts of the Wastewater Treatment Program into the whole.
- Involve stakeholders and staff in decisions that will affect them.
- Clearly define areas that are not included in the productivity project's scope.
- Identify and track services that are not core wastewater business activities.
- Establish measurable and independently verifiable goals.
- Seek partnerships with groups affected by our actions.
- Establish a good working relationship with the Executive's Office on the productivity project.
- Be willing to take risks and think differently.
- Be willing to admit mistakes and change course if needed.
- Practice continuous process improvement.
- Build on existing strengths within the organization.
- Look for and make ongoing productivity improvements.
- Seek early successes in productivity project activities.
- Uphold commitment to safety without compromise.
- Exercise patience; recognize that improving productivity will take time and effort.
- Ensure management is visibly committed to the productivity project.
- Share savings with employees and ratepayers.
- Respect union agreements.
- Celebrate our successes.

Balanced Scorecard

King County Wastewater Treatment Program Balanced Scorecard



Web site: dnr-web.metrokc.gov/wtd/Manager/Productivity/bsc1.html
11/2001



2004 Balanced Scorecard Results

View Report By Measure

WTD Balanced Scorecard

WTD
 Period only
 2004

Measure	Actual Data	Target Data	Previous Year Data
WTD Overall Performance	--	--	--
WTD Key Internal Processes	--	--	--
WTD Regulatory Compliance	--	--	--
WTD NPDES Compliance	100.00%	100.00%	99.95%
WTD NPDES reporting	--	100.00%	99.50%
WTD Air Compliance	99.49%	100.00%	99.80%
WTD Sediment standard compliance	6	7	7
WTD Wet Weather SSOs	0	0	2
WTD Avoidable SSOs	6	7	11
WTD CSOs %	--	3.00	1.40
WTD Resource Reclamation	--	--	--
WTD Bioqas Recycled	76%	75%	86%
WTD Water Reclamation	268.07	300.00	262.40
WTD Biosolids reclamation	--	--	--
WTD Biosolids % reclaimed	100%	100%	100%
WTD Safety	--	--	--
WTD safety - # accidents	20	22	24
WTD Workplace safety satisfaction	3.88	4.00	--
WTD Nondegradation guarantee	--	--	--
WTD % of BOD/COD limit	42.18%	80.00%	42.58%
WTD SS Nondegradation	17	24	13
WTD fec. coliform annual (geometric mean)	21	75	22
WTD Financial Performance	--	--	--
WTD Debt Service Coverage	--	1.25	1.40
WTD Incentive Fund Contribution	--	\$1	\$470,944
WTD Op Budget	\$59,058,549	\$63,819,000	\$80,686,575
WTD \$/lb of BOD&TSS removed	\$0.2800	\$0.2907	\$0.2760
WTD Op Budget	\$59,058,549	\$63,819,000	\$80,686,575
WTD total BOD&TSS removed	210,922,717.0	--	219,859,730.0
WTD BOD removed	98,382,172.0	--	104,136,487.0
WTD TSS removed	112,540,545.0	--	115,723,233.0
WTD People Management	--	--	--
WTD Job Satisfaction	--	--	--
WTD Overall Satisfaction with Jobs	3.66	4.00	--
WTD Satis w/Training and Development	3.28	4.00	--
WTD Satis w/Participation and Involvement in Decision Making	3.74	4.00	--
WTD Satis/w Management Practices	--	--	--
WTD Satis w/Leadership and Management	3.19	4.00	--
WTD Supervisor Communication and Support	3.54	4.00	--
WTD Spirit of Teamwork	3.75	4.00	--
WTD Employee Retention	94.7%	91.0%	95.8%
WTD Employee Innovation	3.66	4.00	--
WTD Eee Training hrs	48.39	57.50	--
WTD Customer Focus	--	--	--
WTD Stakeholder satisfaction	--	--	--
WTD Component agency Response to survey	--	--	42%
WTD Quality of service	4.66	4.00	3.89
WTD Value of service	3.25	4.00	3.00
WTD Cust. Service Satisfaction	4.25	4.00	4.09
WTD near neighbor measure	--	--	--
WTD Business neighbor survey	62%	75%	69%
WTD Resident neighbor survey	68%	75%	86%

Productivity Initiative 2004 Legislation

The King County Council approved Ordinance 14941 as an addition to the original Pilot Plan legislation to clarify participation of represented bargaining units in the wastewater division; codify the Productivity Initiative for the wastewater program; and extend the initiative to major capital projects and the asset management program. It was approved July 12, 2004.

ORDINANCE 14941

AN ORDINANCE related to productivity in the King County wastewater program; clarifying participation of represented bargaining units in the wastewater division; codifying the productivity initiative for the wastewater program and extending the initiative to major capital projects and the asset management program for metropolitan water pollution abatement facilities; making technical corrections; amending Ordinance 12014, Section 38, and K.C.C. 3.13.015 and Ordinance 12014, Section 39, and K.C.C. 3.13.020, adding a new section to K.C.C. chapter 28.86 and repealing Ordinance 12014, Section 35, as amended, and K.C.C. 3.12.363.

STATEMENT OF FACTS:

1. King County is committed to working with its employees and labor unions to identify the most efficient manner to successfully deliver services to its customers and clients.
2. King County is responsible for providing wastewater conveyance and treatment services in the region and owns and operates certain wastewater treatment facilities.
3. The King County wastewater program ("WWP"), a program of certain sections from within the wastewater treatment division and water and land resources division of the department of natural resources and parks, has the responsibility for the planning, design and construction, maintenance and operations, finance and administration for the wastewater conveyance and treatment system.
4. In response to the increasing public demand for demonstration that sewer rates paid for wastewater conveyance and treatment services are being held as low as possible, while protecting the environment and human health, in 2001 the council, by adopting Motion 11156, endorsed and the WWP instituted a productivity initiative with respect to the operations and maintenance of the wastewater conveyance and treatment system.
5. The adopted productivity initiative called for the development of an incentive plan to recognize performance that exceeds the established cost targets for the WWP capital program.

6. In accordance with the goals and intentions in Motion 11156 and Motion 11893, the WWP seeks to extend the productivity initiative to the wastewater capital program, with potential for cost savings for the public and productivity incentives for WWP employees.

BE IT ORDAINED BY THE COUNCIL OF KING COUNTY:

SECTION 1. Ordinance 12014, Section 35, as amended, and K.C.C. 3.12.363 are each hereby repealed.

SECTION 2. Ordinance 12014, Section 38, and K.C.C. 3.13.015 are each hereby amended to read as follows:

A. (Establishment of Program.) There is hereby created a quality improvement employee awards program. The program is established to offer recognition to quality improvement work teams or individuals whose efforts improve the delivery of services to county residents and/or achieve cost savings while maintaining or bettering the present quality of service delivery.

B. (Awards Committee.) An awards committee is hereby established to evaluate quality improvements and cost savings and to determine monetary and non-monetary awards consistent with the provisions of this chapter. The awards committee shall be comprised of an appointee of the council, a representative of the executive, the chief budget officer in the executive branch, and four representatives from executive departments appointed by the executive. The chief budget officer shall serve as the chair of the committee and shall convene meetings of the committee as necessary to conduct business but not less than quarterly.

C. (Administration and Support.) The executive shall establish administrative guidelines for the program. The executive shall ensure that each department director supports the program and provides adequate resources, within appropriations, to support the program.

D. (Annual Reports to Council.) By March 1, 1997, and March 1 of every year thereafter, the executive shall submit a report to the council on the previous year's achievements and awards under the program and recommendations for improvements to the program.

SECTION 3. Ordinance 12014, Section 39, and K.C.C. 3.13.020 are each hereby amended to read as follows:

A. (Employee Eligibility:) Participation in the quality improvement employee awards program shall be limited to full-time regular and part-time regular employees, but shall not apply to those employees who are subject to the

productivity incentive program and the productivity initiative for the wastewater program under section 4 of this ordinance.

- B. (Project eligibility:) Quality improvements eligible for award are those that demonstrate measurable improvements in one or more of the following areas:
1. Improved operating methods or procedures, resulting in increased productivity.
 2. Improved customer or employee satisfaction;
 3. Improved cycle time or efficiency;
 4. Increased revenue;
 5. Decreased costs; or
 6. Conservation of resources.

C. (Recommendations.) Department directors and division managers may recommend to the awards committee awarding work teams and individual employees whose projects and suggestions meet the established criteria. The administrative guidelines established by the executive shall identify other means by which employees may nominate work teams and individual employees for evaluation and awards.

SECTION 4. There is hereby added to K.C.C. chapter 28.86 a new section to read as follows:

A.1. The executive shall develop and implement a productivity initiative for the wastewater program that would include implementing business plans, meeting annual budget targets, creating an incentive fund, continuing to work collaboratively with labor, developing service agreements with county support agencies and modifying certain internal wastewater program administrative policies.

A.2. The goals of the productivity initiative are to:

- a. continue providing high quality wastewater treatment and conveyance services to the region;
- b. use private sector models to improve management of the wastewater program;
- c. improve cost efficiencies;
- d. provide savings to the public;
- e. define target budgets and accountability measures for meeting those targets;
- f. continue working collaboratively with labor; and
- g. allow employees to be creative in meeting the vision of becoming the best wastewater program.

B.1 The productivity incentive program, referred to in this subsection as "program," is hereby created as a component of the productivity initiative. The goals of the program are to: provide financial incentives to employees to achieve higher than projected savings to the wastewater treatment ratepayers; encourage

teamwork; and encourage employee involvement in and ownership of the business.

B.2. Except as otherwise excluded in this subsection, represented and nonrepresented full-time and part-time regular and term-limited temporary employees in the wastewater program, which provides design/construction, maintenance and operations, planning, finance and administration, technology assessment, environmental laboratory, and industrial waste program services are eligible to participate in the program. However, the wastewater division manager and the wastewater division assistant manager are not eligible.

B.3. The executive shall establish a reserve subaccount known as the productivity incentive fund, in the wastewater treatment reserves fund. This reserve subaccount shall receive a pro rata share of interest earnings from the wastewater treatment reserves fund.

B.4. The productivity incentive fund oversight committee is hereby created and shall be responsible for oversight of the productivity incentive fund. The committee shall have the authority and responsibility to determine the distribution and use of the fund, subject to the approval of the wastewater treatment division manager. Membership in the productivity incentive fund oversight committee shall include:

- a. represented employees approximately proportional to each union's percentage of employees in the wastewater program;
- b. nonrepresented employees approximately proportional to their percentage of employees in the wastewater program;
- c. two wastewater program management representatives; and
- d. ex officio, nonvoting membership including, but not limited to, the office of the executive and the department of executive services, finance and business operations division.

B.5. It is the intent of the council that the productivity incentive fund be used to support a variety of incentives including, but not limited to:

- a. provision of additional training opportunities for employees;
- b. investments in productivity improvement projects;
- c. funding overexpenditures on asset management and operating projects;
- d. monetary payments or awards to employees; and
- e. employee awards and recognition.

B.C.1. The productivity initiative for the wastewater program also applies to the wastewater program's capital improvement program.

2.a. The objectives of extending the productivity initiative to the wastewater program's major capital improvement projects are to:

(1) provide savings to ratepayers through the appropriate use of approved contracting methods and more efficient management of consultants and

contractors;

(2) refine and improve the accuracy of cost estimating for major capital improvement projects; and

(3) test the efficacy of different approved contracting methods and contract incentives in reducing the overall cost and time needed to complete major capital improvement projects.

b. For a major capital improvement project, which, for the purposes of this section, means a capital improvement project with an estimated cost of one million dollars or more, to be eligible for the productivity initiative, the wastewater treatment division must use the following best practices:

(1) determining the difference between the level of service of the current capital assets and the needed level of service for the new or upgraded asset. The wastewater treatment division shall identify how the project under consideration will achieve the planned or required results;

(2) evaluating alternative approaches to achieving the results;

(3) integrating organizational goals into the major capital decision-making process;

(4) establishing a review and approval framework supported by analysis;

(5) tracking project costs, schedule and performance; and

(6) evaluating results and incorporating lessons learned.

c. Project targets for major capital improvement projects in the productivity initiative shall be determined by an independent third party.

3.a. The objectives of extending the productivity initiative to the wastewater program's asset management program are to:

(1) provide savings to ratepayers through the development of a more strategic approach to the maintenance and replacement of wastewater assets;

(2) refine and improve the accuracy of budget forecasting for wastewater asset management;

(3) improve reliability of the wastewater treatment system;

(4) test new asset management techniques on a subgroup of assets and determine the applicability of these techniques to the rest of the wastewater system;

(5) compare the costs of using in-house resources to perform small capital construction projects versus the more traditional practice of contracting out this work; and

(6) provide incentives for employees to develop innovative approaches to asset management.

b. Application of the productivity initiative for the wastewater program to asset management maintenance and replacement projects shall be limited to categories of assets for which detailed information on historical maintenance costs, current replacement costs, and a determination of remaining useful life have been developed.

4. Certain capital program work of the wastewater program has traditionally been performed by independent contractors procured by the county rather than county employees. If the wastewater program begins to use county employees for all or

any portion of such capital program work in connection with implementation of the productivity initiative, subsequent use of independent contractors shall not be limited as a result of this temporary pilot project.

5.a. The executive shall, by June of each year, file with the clerk of the council for distribution to the chair of the council and the chair of the labor, operations and technology committee, or its successor committee, an annual report that evaluates the implementation of the productivity initiative for the wastewater program. Based on the experience, data and analysis from 2004 and 2005, the executive shall, by June 2006, file with the clerk of the council for distribution to the chair of the council and the chair of the labor, operations and technology committee, or its successor committee, recommendations for modifications that may be needed, together with any necessary proposed legislation, to help further the goals and objectives outlined in this section.

b. The executive shall facilitate a thorough review of the productivity initiative for the wastewater program no later than December 31, 2010. The review shall be undertaken by an independent third party hired and supervised by the county auditor, with input from the wastewater program, and shall provide for a report to the council, which shall be filed with the clerk of the council for distribution to the chair of the council and the chair of the labor, operations and technology committee, or its successor committee. The review is to determine how effective the productivity initiative has been in achieving the goals and objectives in this section.

c. The productivity initiative for the wastewater program expires April 30, 2011, unless before that date an ordinance is enacted to continue the productivity initiative. Any major capital improvement project included in the productivity initiative, for which targets have been set by April 30, 2011, as specified in subsection C.2.c of this section, may continue with provisions of the productivity initiative applied through the completion of the project.

6. King County's wastewater treatment system shall continue to be maintained as a public facility and shall be managed and operated by public employees for so long as the productivity initiative is in effect.

2004 Annual Employee Survey Results

Excerpt: Conclusions and Observations

The Wastewater Program employee survey gathers a wealth of information about the program and its employees' opinions. Reviewing the survey results can increase understanding of Wastewater Program strengths and the areas in which improvement may be most important given program priorities. In addition, the survey results can help guide Wastewater Program management and staff as they make decisions about strategies to improve Wastewater Program performance. The following observations about the survey results are offered as a possible supplement, not a substitute, for the informed, thoughtful analysis of management and staff.

Results of the Wastewater Program 2004 employee survey show that the Wastewater Program is improving and/or obtaining high ratings from employees in most areas. Many ratings measured in the employee survey improved between 2001 and 2002. Typically the gains made in 2002 continued to hold in 2004, with some additional gains in 2004.

However, less improvement was measured between 2002 and 2004 than between 2001 and 2002. While there were no significant drops in ratings between 2002 and 2004, opportunities for improvement remain in all areas measured by the survey.

Areas with Most Improvement

The greatest improvements across surveys occurred in the areas of (1) training and development and (2) communication and trust.

- *Training and development.* Access to good training and development programs continues to be important to employees (average of 4.11 on a 5-point scale where 5 is high). Ratings of items about division investment in improving employee skills, satisfaction with training programs, satisfaction with opportunities to apply new skills, and supervisor's encouragement to develop skills all increased significantly across surveys. Further, ratings of two of these items increased significantly with each survey. Even with the increases, average scores on these items are not very high (2.92 to 3.62 on 5-point scales), so opportunities for continued improvement remain. Training and development is important to employees. The broad improvement in this area should be commended, and the opportunity for continued improvement should be noted.

- *Communication and trust.* Similarly, all of the survey items that relate to communication and trust (e.g., "I have a clear understanding of what is expected of me in my job," "There is a high level of trust in my immediate work group,")

increased significantly across surveys. Improvement in communication and trust is due largely to increases in ratings between 2001 and 2002. Ratings of communication and trust did not change appreciably between 2002 and 2004.

The across-the-board improvement in the area of communication and trust also should be commended. Average ratings of communication and trust (3.37 to 3.93 on the 5-point scale) are higher than training and development ratings, but opportunities for improvement remain.

Areas with Some Improvement

In the following areas, some ratings improved and other ratings did not change significantly across surveys. Improvements in these areas should be commended while opportunities for further improvements are noted.

- Job satisfaction,
- Employee involvement in decision making,
- Leadership and teamwork,
- Interest in a new job outside the program,
- Creativity and innovation, and
- Workplace safety.

With one exception, the changes that were significant in these areas were due to improvement between 2001 and 2002, with little or no change between 2002 and 2004.

One item, "Management and unions work cooperatively to solve mutual problems," increased significantly between 2002 and 2004. This item had declined significantly between 2001 and 2002, so the 2004 result does not show net improvement since 2001, but it shows strong improvement since 2002.

Areas with No Change

Ratings of accountability, the workplace environment, and customer focus did not differ significantly across surveys. Some of the ratings in these areas were high, but opportunities for improvement remain in each area.

- Employees agree that it is important to hold people accountable, but are less inclined to agree that employees actually are held accountable at work. However, more employees agree that employees are held accountable in their immediate work group than agree that employees are held accountable in the division. The gap between the perceived importance of holding people accountable and the extent to which employees are held accountable, first noted in 2002, continues.
- Ratings of the workplace environment (e.g., "My immediate workgroup is committed to doing quality work," "Overall this is a good place to work") include some of the highest ratings of the survey (average ratings of 3.71 to 4.02

on 5-point scales). These ratings remained high across surveys.

- Average ratings of customer focus (3.52 and 3.72 on the 5-point scale) are slightly lower than ratings of the workplace environment and also remain unchanged.

Acknowledgements

WTD Management Team (2004)
Don Theiler, Division Director
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Greg Bush
Dick Finger
Mike Fischer
Herb Johnson
Robert Tovar
Christie True

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Balanced Scorecard
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