

# Wastewater Treatment Division PRODUCTIVITY INITIATIVE Annual Report 2006



*Creating Resources from Wastewater*

King County Department of  
Natural Resources and Parks



**King County**

June 2007



King County Department of  
Natural Resources and Parks  
**Wastewater Treatment Division**

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*Pictured on front cover: West Point Treatment Plant, established in 1966,  
celebrated its 40th year of operation in 2006.*

### Preface

I'm pleased to report that wastewater program employees achieved the program's Productivity Initiative target in 2006. This report details the 2006 target and results, and compares those results with previous years of the ten-year Productivity Initiative Pilot Program.

Last year's results marked the fifth year that wastewater employees have met operating program productivity targets, generated savings for ratepayers and received a financial incentive reward for their actions. It was also the first year that savings were generated from wastewater's capital program since the pilot program was expanded to include aspects of the capital program in 2005.

To date, the Productivity Initiative Pilot Program has resulted in \$42,788,451 in savings to ratepayers. Last year's results added \$9,756,050 to the total ratepayer savings, and the 650 participants in the program received incentive payments of about \$1,069 each.

### At a Glance...

- ✓ **Ratepayer savings for year:** \$9.75 million, for total of \$42.8 million since 2001.
- ✓ **2006 employee cash payout:** \$1,069, for a total of \$5,206 per full-share participant since program inception.
- ✓ **Ongoing actions:** Continued to integrate corrective actions into the way the wastewater program routinely does business.
- ✓ **Staffing:** Utilized consultant to align organization for positive outcomes in 2007 to 2010.
- ✓ **2006 Operating results:** \$1,698,232 under target for expenditures.
- ✓ **2006 document savings for Incentive Fund:** \$1,644,352.

Program participants continue to apply what they have learned to help ensure success in meeting productivity targets in the remaining years of the initiative. Program expenses were higher than the target in 2004, for example, and the program took immediate corrective actions that resulted in successfully meeting the target in 2005. Some of those actions were short-term, temporary measures; however, other actions have been integrated into the way the wastewater program routinely does business.

In mid-2006, the program undertook a major effort to review the structure of its entire operating program. With the help of an independent consultant, the program identified ways the organization could be aligned that would most likely result in meeting the productivity targets in the last four years of the initiative (2007 to 2010). Working with labor organizations and employees, wastewater management is currently developing an implementation plan for those recommendations and has initiated a similar review of the capital program.

## Productivity Initiative Annual Report 2006

As it has in previous years, the wastewater program has benefited greatly from the support and assistance the Productivity Initiative Pilot Program has received from the Executive Office, elected officials, labor organizations, King County Office of Management and Budget and Department of Natural Resources and Parks management.

Finally, as a result of the challenges offered by the Productivity Initiative, program participants are increasingly engaged in a near-constant review, reappraisal and reworking of how the program does its business.

I encourage you to read the descriptions in this report of employee-driven actions that led to successfully achieving the 2006 productivity target.

Wastewater program employees are truly demonstrating that government can apply some of the best practices in private industry in ways that are beneficial for both our customers and our workforce, and I am proud of their achievements.



Christie True  
Division Director

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### Overview of Productivity Initiative Pilot

The Productivity Initiative Pilot Program is a ten-year incentive program that applies certain private-sector business practices, including the establishment of an incentive-based cash payment to employees in the wastewater program, to cut operating costs, increase productivity and continue a high level of service and environmental protection for our customers.

#### Background

The Productivity Initiative Pilot Program was conceived as an opportunity for a traditional utility to be managed and operated more like a business. For King County's wastewater treatment employees, this means providing the same high-quality services to the public that King County has always provided, and doing it with the right technology, human resources and fiscal planning found in the business world today. To the public, this means WTD is committed to being more efficient, reducing costs and meeting the county's obligations to protect public health and the environment.

The Productivity Initiative Pilot Program identifies specific levels of service, cost reductions and efficiencies over the period 2001 to 2010 that will result in an estimated \$75.9 million savings (*see graph Appendix 1, Page 37*) for ratepayers, while increasing levels of service to these same customers. Savings are achieved by undertaking an intensive review of current business practices, identifying and implementing cost savings practices, working to increase employee involvement in business decisions and ensuring that the wastewater program receives the best possible services from its partner agencies within and outside the county.

The Productivity Initiative links management decisions about employees with labor, and it requires that management and labor cooperate to identify new ways of getting business done, meet the bottom line, protect public health and safety and allow employees to share in the financial rewards and risks of operating the program more like a business.

#### Components of Pilot Program

The Productivity Initiative was developed in 2000 and approved by the King County Executive and Council as a pilot program for the operating program in 2001. An important part of the program is establishing an Incentive Fund, which captures a portion of the savings that employees have generated by meeting and exceeding target budgets. Since the program was launched, it has also expanded to include three smaller pilot programs within the capital program: Major Capital Projects Pilot, Small In-House Capital Construction Projects Pilot and Asset Management Pilot.

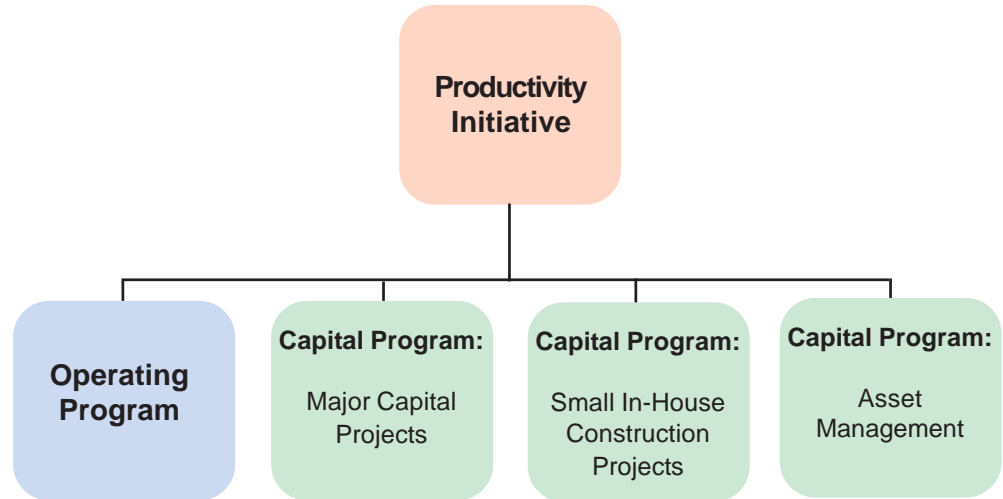
### At a Glance...

#### Basic Goals and Objectives

- ✓ Improve efficiency and reduce cost within the wastewater program.
- ✓ Move to operate the utility more like a business.
- ✓ Maintain the wastewater program as a public utility.
- ✓ Meet or exceed all regulatory requirements.
- ✓ Incur no loss of service, reduction in safety standards or effluent quality.

#### Commitments

- ✓ Uphold no privatization of program.
- ✓ Incur no involuntary layoffs.
- ✓ Provide opportunity for incentive payments to employees for meeting and exceeding target budgets.
- ✓ Beginning in 2001, save a minimum cumulative total of \$75.9 million from the operating budget by 2010.
- ✓ Extend program to capital construction budget (the initial program was limited to the operating budget only).



### ***Operating Program Pilot (active since 2000)***

All savings in the Incentive Fund were generated from the Operating Program Pilot until 2006. Incentive Fund contributions are managed by a committee comprised of wastewater employees representing their respective labor organizations plus management representatives. Participants in the program contribute to the Incentive Fund by creating savings that are greater than the target budgets.

### ***Major Capital Projects Pilot (active since 2005)***

All capital projects over \$1 million are eligible to participate. Participation is decided on a case-by-case basis. A target budget (cost at completion) is set by an external, independent third party for each eligible capital project. Staff is challenged to deliver the capital project at a lower cost than the target.

### ***Small In-House Capital Construction Projects Pilot (active since 2005)***

Under certain conditions, savings created by doing work in-house rather than by outside contractors can be documented and applied to the Incentive Fund. An independent estimate is required as part of any proposal by in-house staff to do the work at a lower cost than using an outside contractor.

### ***Asset Management Pilot (launched January 1, 2006)***

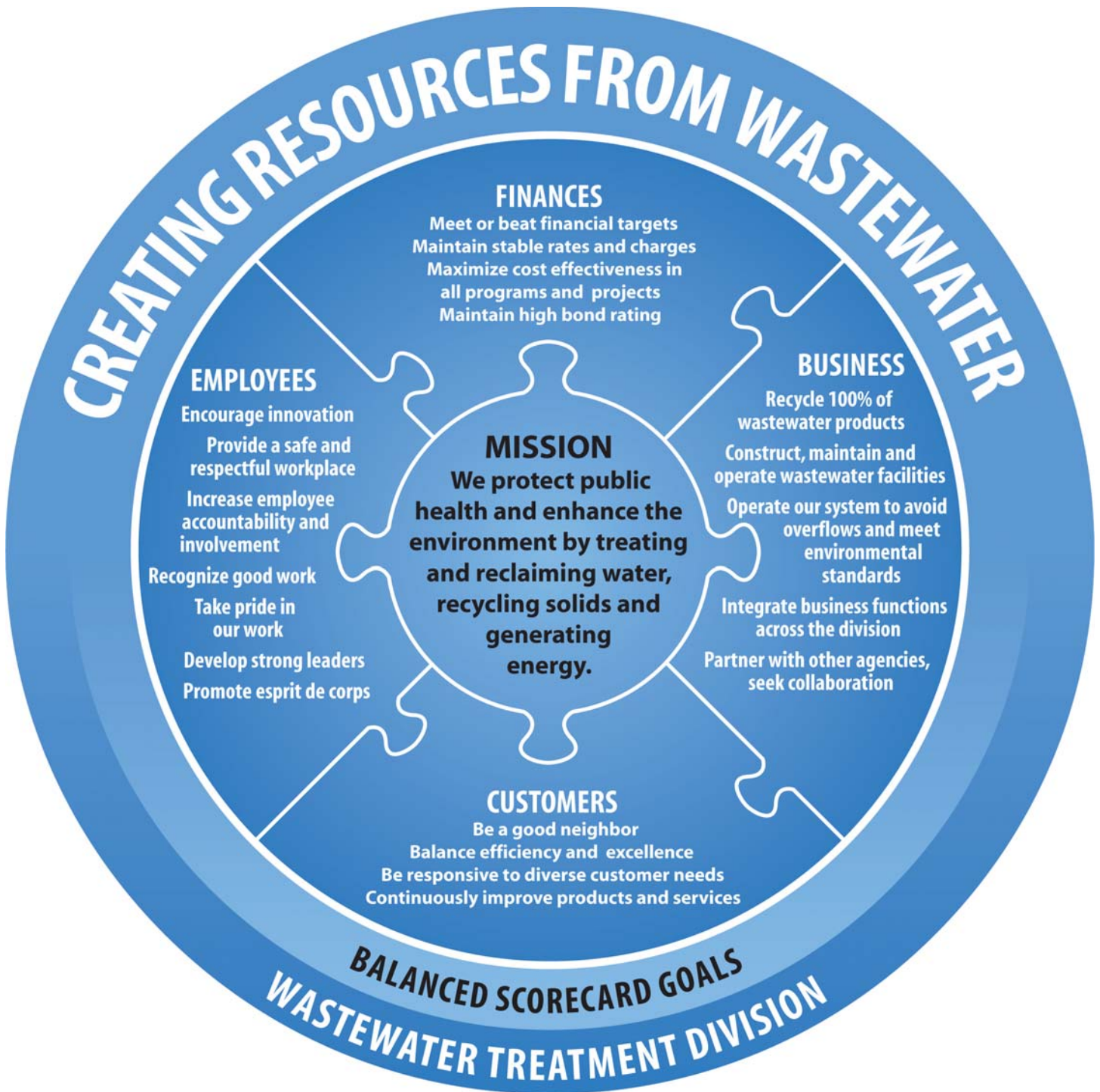
Using a suite of 153 assets at South Plant, maintenance, refurbishment and replacement decisions are based on reducing overall costs by balancing maintenance and repair, replacement and refurbishing costs to extend the useful life of an asset. Savings in this pilot can occur only when staff successfully extend the useful life of equipment beyond the anticipated replacement date. In 2006, savings of \$37,600 were generated for the Incentive Fund.

## At a Glance...

### **Examples of Efficiencies Implemented to Date**

- ✓ Installed high solids centrifuge.
- ✓ Improved energy management.
- ✓ Recycled grit.
- ✓ Leveraged spare parts and standardized equipment.
- ✓ Reduced expenses for supplies.
- ✓ Eliminated positions.
- ✓ Absorbed work during short-term vacancies.
- ✓ Reduced expenditures on consultants.





## 2006 Financial Results: Operating Program

### Target and Adjustments

#### 2006 Results

<b>Unadjusted target</b>	<b>\$69,255,021</b>
<b>Adjusted target</b>	<b>\$73,147,993</b>
<b>Actual expenditures</b>	<b>\$71,449,761</b>
<b>Underexpenditure</b>	<b>\$1,698,232</b>
<b>Eligible savings for Incentive Fund</b>	<b>\$1,644,352</b>
<b>Penalty deduction (see Page 22)</b>	<b>(\$137,029)</b>
<b>Capital program savings</b>	<b>\$37,600</b>
<b>Approved savings for Incentive Fund</b>	<b>\$1,544,923</b>
<b>Employee share (50%)</b>	<b>\$772,461</b>
<b>Ratepayer share (50%)</b>	<b>\$772,461</b>

#### **Background on Annual Targets**

The annual operating targets for the pilot program were established by HDR, Inc., the consultant that worked with the wastewater program to develop the pilot program in the late 1990s. The baseline budget was established using WTD's 2000 wastewater program operating program budget.

HDR recommended that the wastewater program reduce its baseline budget incrementally over five years (2000 to 2005) to achieve a 15-percent reduction. In their view, this would position King County's wastewater program to compare favorably with what a private contractor would charge to run King County's wastewater operations.

#### **Adjustment Process**

Both an unadjusted target and an adjusted target are reported annually. The unadjusted targets for the ten years of the Pilot Program were established when the program was developed, as described above. The unadjusted target is subject to an annual adjustment process, detailed in Appendix C-7 to the Pilot Plan approved by council.

The target adjustments account for changes in conditions that are outside the program's control, such as countywide cost-of-living increases, increased loading at the treatment plants, changes in commodity prices and so on.

A Technical Review Committee with representatives from labor and management was formed in 2005 to provide ongoing review and recommendations on target adjustments.

### ***Accounting for New Work***

In 2006, the wastewater program continued to use an identification and review process developed in 2005 to identify and account for new work. "New work" is defined as work that is beyond the scope of services that was committed to in the pilot plan and is either:

- Required by changes in fiscal policy.
- Required by changes in county policy or procedure.
- Required because of a change in law or new permit requirements.
- Directed from outside WTD or the Environmental Lab.

In addition, new work must be work not taken on solely at the discretion of WTD or the Environmental Lab.

In addition to the target adjustments, the Pilot Program allows the annual targets to be adjusted for any new work not captured in the initial development of the Pilot Program, and which was imposed on the program by directives originating from outside the program.

After being identified as new work by section managers, a project is reviewed as being new work under the above definition by WTD management, WTD Finance, and DNRP Finance (*see Page 30*). Section analysts establish new time codes and employees begin tracking time and expenditures related to the new work. WTD and the Technical Review Committee conduct an annual review of what and when new work should be added to the "base work."

### **Savings**

#### ***Planned Savings***

A primary strategy for achieving annual productivity targets in the Pilot Program Plan was to implement specific major actions to achieve productivity targets for the first five years of the program (2000 to 2005). The level of savings achieved by implementing those actions would then be sustained during the remaining years of the Productivity Initiative (2006 to 2010).

### **At a Glance...**

#### **New Work**

- ✓ Black River Pump Station
- ✓ Herbicide Ordinance
- ✓ Carnation Treatment Plant
- ✓ Elliott West/Denny CSO Facilities
- ✓ Bunker Trail (Vashon) Pump Stations
- ✓ New Vashon Treatment Plant
- ✓ North Creek Storage Facility

As a result, all new savings achieved in 2006 were the result of short-term salary savings and employee-driven actions that resulted in an overall 2006 underexpenditure of the target.

### **Short-Term Salary Savings**

#### **Overview**

The section managers and section budget analysts used the same process for assessing short-term salary savings in 2006 as 2005. Each section provided data on salary short-term savings on a worksheet, which was analyzed by the Incentive Fund Committee before being included in the committee's savings recommendation.

#### **Process**

Supervisors and section managers used detailed worksheets to document short-term salary savings from positions vacant for all or part of 2006. Only savings achieved from directing work normally assigned to the vacated position(s) to others in the unit, including co-workers, leads and supervisors, was documented. Any costs incurred for overtime, temporary workers or contract labor were noted on the worksheets and deducted from the savings being claimed.

In most cases, existing staff accomplished the additional work assigned to them from vacated position(s) by using a combination of short-term and temporary strategies.

For example, staff elected to accept additional assignments by temporarily rebalancing workloads, deferring essential but non-urgent tasks, staggering vacation and leave schedules, increasing the number of employees assigned to a supervisor and taking advantage of internal resources by cross-training. Exempt staff also temporarily worked extra hours at no additional monetary compensation.

Employees and management recognized that such actions are not sustainable long-term without compromising safety, union contract provisions, employee health and well-being, and employee retention. Employees proposed or elected to accept these strategies on a short-term basis rather than hire temporary workers or contract help while permanent replacements were sought for vacancies.

The salary savings worksheets used by supervisors and section managers detail the percentage of a vacant position's workload they estimate was accomplished by using these strategies. The percentage of work estimated as completed in each case ranges from 15 to 90 percent, and savings have been calculated accordingly. In a few circumstances, it was the judgment of supervisors and section managers that 100 percent of the work was accomplished.

### **At a Glance...**

- ✓ To maximize existing staffing, employees elected to defer or reschedule administrative and housekeeping activities, elective training opportunities and discretionary time off.

### Methodology

1. WTD Human Resources distributes a spreadsheet to section analysts that lists all the vacancies for the prior calendar year.
2. Section analysts confer with section managers and supervisors to determine what percentage of the body of work was performed during the vacancy, calculate any mitigating or backfill costs, and provide additional information to support the salary savings.
3. Salary savings forms are then compiled and submitted to the Incentive Fund Committee for review and approval. The committee can (and does) ask for more information about submittals prior to making a decision.
4. The approved salary savings, along with the productivity savings and recommendation from the Incentive Fund Committee, are submitted to the WTD Director for final approval.

*See Appendix 3:  
Short-Term Salary Savings,  
Pages 41-43.*

### Results

Section	Savings
Environmental Lab	\$276,461
Planning & Compliance	\$56,176
East	\$469,850
West	\$214,829
<b>Total Short-Term Salary Savings</b>	<b>\$1,017,316</b>

#### **Note: Computational Error**

*In preparing this report to council and after distribution of the employees' payout, a computational error was discovered in the short-term salary savings calculation for the West Point Operator Series. The error, \$20,587, resulted in an overstatement of the amount of the ratepayers' and employees' shares of the Incentive Fund. The amount overstated for the employees' share, about \$9,436, will be remedied by transferring equivalent funds from the existing Incentive Fund balance. See Page 43 .*

See Appendix 4:  
Savings Resulting from  
Employee Actions, Page 44.

### **Savings Resulting from Employee Actions**

#### **Asset Management Employees**

- Trained and became certified to work with and manage hazardous materials (lead and asbestos) instead of using consultants.
- Coordinated with the King County Sheriff's Office to perform infrared roof inspections by helicopter.
- Spent additional time evaluating sewer locate requests, resulting in greater time savings by having to perform fewer actual inspections.
- Used interns for field support of the Hydrogen Sulfide (H<sub>2</sub>S) Inspection Program, allowing staff to perform more technical work.

#### **East Section Employees**

- Reorganized the Biosolids Production/Hauling/Application Team to make it more efficient and reduce money spent on overtime, compensated time and shift differential.
- Reprogrammed the truck scale equipment to save time for daylight savings adjustments and scale calibration.
- Used a wood chipper to chip and spread all the trees and limbs from storm damage instead of having to pay for hauling and disposal costs.
- Made arrangements to pick up and use Round Up at the King County Hazardous Waste Collection Facility, instead of having to purchase the herbicide.
- Created an innovative "fishing pole" to retrieve a submerged pump instead of having to go through the time consuming process of draining and entering the sump using confined space procedures.
- Applied weed cloth to eliminate constant weeding at a site on Vashon Island.
- Arranged with Puget Sound Energy to consolidate the monthly bills into one packet, reducing staff processing time and errors.
- Researched and changed lubricants to increase equipment life and use less electricity.
- Used a new polymer concrete mixture to repair a pump motor base, dramatically reducing the time required to repair the base and the time the machine had to be out of service.
- Built special plugs for the secondary sedimentation tanks so employees would not have to do a confined space entry.
- Changed to a more time-efficient chemical analysis method in the process lab and modified samplers in order that a smaller and less expensive refrigerator could be used.
- Analyzed and implemented process improvement, such as reducing the number of dissolved oxygen probes; installing new monitors, displays and flow indicator switches; and reducing sampling frequency; saving materials cost, energy, overtime and extending equipment life.
- Stopped dewatering of sludge from the Vashon Treatment Plant, reducing material and labor costs.

#### **Finance and Administration Employees**

- Sourced less expensive sources of copy paper.
- Reduced payroll data archiving expenses.

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### Environmental Lab Employees

- Sourced a convenient and less expensive marine fuel supplier.

### Planning and Compliance Employees

- Arranged for grit disposal from the treatment plants to be recycled instead of hauled to a landfill at a greater cost.

### West Section Employees

- Sourced recyclers for pallets and waste oil instead of paying for hauling and disposal.
- Expanded metals recycling program for an increase in revenue.
- Reprogrammed lighting controls in the plant to reduce electricity consumption.
- Improved recycling and disposal of used thinner and paint, reducing disposal costs.
- Used surplus pipe for repair instead of purchasing new pipe.
- Changed a worksite location, reducing travel time and increasing work time.
- Rebuilt chlorine valves instead of replacing them.
- Removed Thicken Blended Sludge Tank mixers, saving energy, materials and labor.
- Replaced a gate with a valve, saving a substantial amount of maintained time.
- Altered the Mixed Liquor blower rates, reducing energy.

### Other employee savings actions

- Used salvage parts.
- Chose less labor intensive landscape plants.
- Encouraged double-sided printing.
- Moved community and external committee meetings to less expensive venues.
- Implemented more efficient and accurate document control and communication system at Brightwater.
- Used in-house resources instead of more expensive consultants for a portion of the Inflow & Infiltration Project.
- Changed to more cost-effective cell phone plans.
- Downsized to less expensive and more fuel efficient vehicles.
- Reduced chemical usage by installing flow meters and metering pumps.

Section	Expense	Labor	Total Savings
Asset Management	\$16,462	\$59,835	\$76,297
East	\$299,033	\$52,913	\$351,946
Finance & Administration	\$5,063	\$0	\$5,063
Environmental Lab	\$758	\$0	\$758
Planning & Compliance	\$198,263	\$0	\$198,263
West	\$107,457	\$46,581	\$154,038
<b>Total</b>	<b>\$627,037</b>	<b>\$159,329</b>	<b>\$786,365</b>

### At a Glance...

- ✓ Expense Savings: Materials, supplies, energy, chemicals, overtime, contracting, etc. Directly contributes to Incentive Fund.
- ✓ Labor Savings: Value of time made available through more efficient work practices and used for additional work. Does not directly contribute to Incentive Fund.

## 2006 Financial Results: Capital Program

### Major Capital Projects Pilot

All wastewater capital projects with budgets of more than \$1 million are eligible to participate in the Major Capital Pilot Program.

#### *Methodology*

A project target budget (i.e., cost at completion) is set by an external, independent third party for each participating capital project. If the wastewater treatment program completes the project for less than the target budget, a portion of the savings is eligible for the Incentive Fund. There is no financial penalty if the program does not meet the target budget under the terms of the capital pilot program plan.

The wastewater program originally contracted for target setting services with two outside consultants. These consultants are not eligible to provide any other consulting services on assigned projects. Targets are set following completion of a project's predesign report, between the 30-percent and 60-percent design completion milestones. All project data is given to the consultant, who then independently determines what it would cost for a "well run" agency to complete the same project. This cost becomes known as the target budget. No adjustments can be made to the target budget throughout the life of a project except for inflation. At the end of each fiscal year, Engineering News Record's Construction Cost Index (ENR CCI) will be utilized to determine the amount of annual project spending attributable to inflation. After subtracting such spending from a project's final cost, the revised figure will be measured against the target budget to see if savings were realized.

Project management staff gain flexibility in managing and controlling projects by the use of consultant/contractor incentives and alternative delivery methods. The concept is to link project performance to consultant and contractor performance by using creative incentives. Examples include completing work within contract budget, sharing unused contract contingency, achieving early project completion, using report cards, etc.

Savings (if realized) are calculated by taking the target budget minus the final project cost. Any resulting savings are split between ratepayers (83%) and pilot program participants (17%). The split was developed on the basis of a 50/50 split between ratepayers and people responsible for achieving savings: employees, consultants and contractors. Employees (the only group eligible for a share of the savings) would receive one third of the 50% share, or approximately 17% of the total savings.

Determining savings can only occur once the project has been closed out. There are no provisions for intermediate measures or payouts. There is no penalty to the pilot program participants for not meeting or for exceeding a target budget.

### At a Glance...

- ✓ All capital projects \$1M+ to be considered.
- ✓ Target budget set by external, independent third party.
- ✓ Savings eligible for Incentive Fund.
- ✓ No penalty if target not met. No Rainy Day Funds required.
- ✓ No adjustments to target budget, except inflation.
- ✓ Incentives and alternate delivery methods used for optimal performance.
- ✓ Ratepayers and staff to split savings 83% for ratepayers and 17% for WTD staff.
- ✓ Savings can only be determined once project is closed out.



### **Results**

In 2005, three major capital projects were selected to participate in the program: Brightwater Treatment Plant and Conveyance System, Carnation Treatment Plant and Bellevue Pump Station. In 2005, the wastewater program contracted with two consultants to establish savings targets for each project.

- The success of generating productivity savings for construction of the Brightwater Treatment Plant and Conveyance System by completing the entire project for less than the productivity financial target will not be known until the project is closed out, somewhere around 2011. Current projections through 2006 indicate that Brightwater's target cost is being exceeded by less than half of one percent, and thus savings would not be achieved. However, at only 25% complete and with numerous variables and opportunities remaining, it is far too early to accurately predict whether or not savings will be realized.
- The recent bid received for constructing the Bellevue Pump Station was considerably higher than estimated. The high bid for the Bellevue Pump Station and a major change in the project scope of the Carnation Treatment Facility virtually eliminated the possibility of coming in under the productivity target and creating productivity savings for either project. The current Bellevue Pump Station forecast is 66% above its target estimate, while the Carnation forecast is 10% above its target estimate.

As the wastewater program undertakes additional capital projects of \$1 million and more in the remaining years of the Productivity Initiative, those projects will be reviewed for their potential to participate in the Major Capital Pilot Program. Examples include Southwest Interceptor, four CSO Control and Improvement Projects and the Black Diamond storage facility.

### **At a Glance...**

- ✓ Brightwater Treatment Plant project to be closed out around 2011.
- ✓ Bellevue Pump Station and Carnation Treatment Facility not likely to be eligible due to high bids and changes in project scope.

### Small In-House Capital Construction Projects Pilot

#### **Methodology**

Small in-house capital construction projects are eligible to participate in the pilot project if they meet the following specific criteria:

- The total cost of labor, equipment and supplies is less than \$25,000 for a single trade or craft; or \$70,000 for two or more trades or crafts.
- Wastewater program employees must submit a bid to perform the work that is more competitive than an independent estimate for the same work.
- If the in-house bid is more competitive, then the difference may be eligible for the Incentive Fund. If the *actual costs* of the project after the project is completed are greater than the independent estimate, then the difference between the estimate and the actual cost borne by WTD must be paid to the wastewater operating budget from the Incentive Fund.

Any resulting savings from performing an eligible small capital construction project in-house would be eligible for the Incentive Fund.

#### **Results**

There was no activity in the Small In-House Capital Construction Projects Pilot in 2006. No projects were identified that were cost efficient to do in-house as opposed to being performed by contractors after the cost of obtaining an independent construction estimate was factored into the employee bid.

### At a Glance...

- ✓ No activity in Small In-House Capital Construction Projects Pilot in 2006.

### Asset Management Pilot

#### Objectives

- Make and document effective decisions regarding maintaining, refurbishing and replacing assets based on cost, risk and customer service requirements.
- Reduce overall cost of doing business by balancing maintenance and replacement costs to extend the useful life of an asset.
- Implement and evaluate the program's effectiveness against a standard for a "well-run," similar wastewater utility, including cost and system reliability.

#### Methodology

The Asset Management Pilot was first applied to 153 selected assets at South Plant, including both mechanical and electrical equipment. WTD has good historical operations and replacement/maintenance cost information for these assets.

Staff identified each asset's condition, age, service level, rebuild/replace intervals and cost. Target rebuild and replacement intervals were established. As equipment exhibited a maintenance need or was scheduled for an action, a financial analysis was performed that compared the current operating and maintenance costs with the alternative rebuild/replace costs.

The result was used to determine whether continued running, rebuilding or replacing an asset would be the least costly. That financial analysis is complete for all pilot assets with rebuild or replacement costs scheduled for 2004-2007. Staff has also reviewed all decisions to defer replacing or rebuilding assets to ensure that the condition will not likely result in any reduction in service levels.

Staff then developed guidelines to determine when actions deliberately taken and documented by staff have resulted in costs lower than the target cost. The guidelines are based on the asset's lowest life-cycle cost in terms of extending its active life while continuing to operate at a high performance level. These guidelines are intended to clarify the decision-making process for both participants and external stakeholders that review the program.

#### Determining Savings

An annual expected projection of costs is established of what it would cost to maintain and operate the asset (operating budget) versus replace or refurbish the asset (capital budget) without degradation of service. Actual costs are then compared against project costs. Savings can result from successfully deferring the costs of replacement or refurbishment by extending the useful life of an asset beyond the anticipated replacement date. An associated saving program is aimed at making savings in maintenance activities by optimizing maintenance activities through use of predictive analysis and other reliability-centered techniques.

### At a Glance...

#### Results

- ✓ Financial analysis completed for 153 assets at South Treatment Plant.
- ✓ Deferred \$716,800 of capital renewal and replacement work.
- ✓ Saved \$37,600 in deferred interest on capital bonds for 2006, based on recent borrowing costs.
- ✓ 61 assets scheduled for rebuild/replace in 2007 at potential expenditure of \$1.2 million.
- ✓ Deferred actions from 2006 may be reconsidered in 2007, which would increase the potential expenditure.
- ✓ Program to expand to include all raw sewage pumps.
- ✓ Actions for all assets require the consideration and approval of WTD maintenance supervisors and management.

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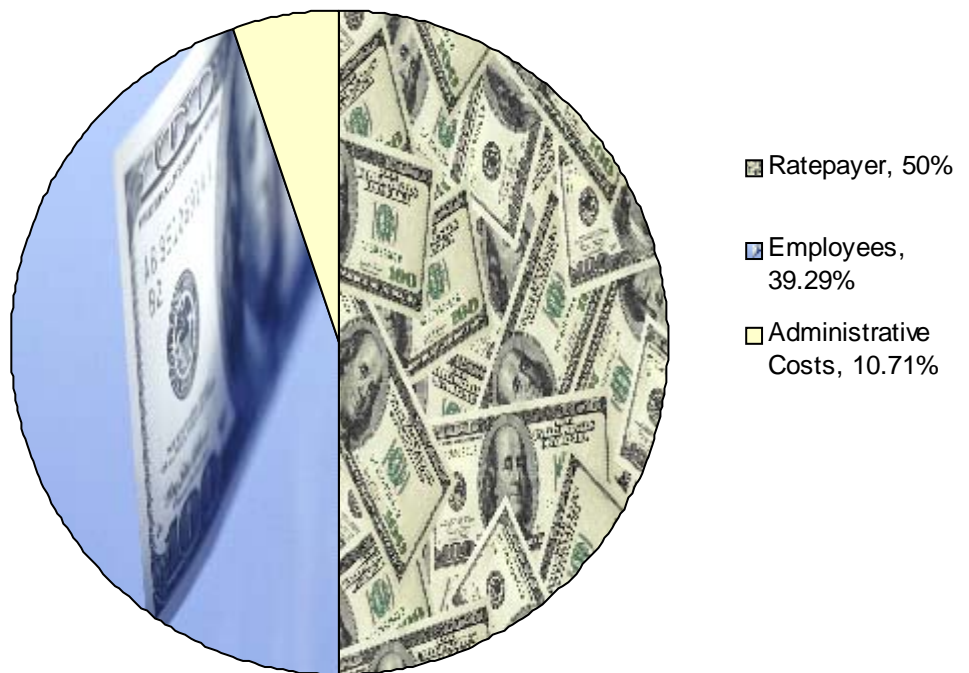
The actual savings in the capital budget is determined by identifying the deferred amount of borrowed money to replace, or refurbish an asset. The savings are determined by deferred interest costs on capital bonds. In 2006, the program deferred about \$716,800 of capital renewal and replacement work, resulting in a \$37,600 savings in interest payments on money not borrowed. This was added to the 2006 operating program underexpenditure.

### Next Steps

The wastewater program plans to expand the Asset Management Pilot to include all raw sewage pumps in the system, typically its most expensive assets to acquire, operate and maintain.

## Incentive Fund

### 2006 Incentive Fund Results



### At a Glance...

- ✓ Administrative costs are the costs of payroll taxes and the employers' contribution to employee retirement funds (PERS).
- ✓ Administrative costs are paid from the employees' 50-percent share of the total underexpenditure.

Ratepayer's share (50%)	<b>\$ 772,461</b>
<b>Employee's share (50%)</b>	<b>\$ 772,461</b>
Cash payout (39.29%)	\$ 689,692
Administrative costs (payroll taxes) (10.71%)	\$ 82,769
<b>GRAND TOTAL</b>	<b>\$1,544,923</b>

## Productivity Initiative Annual Report 2006

### 2001 to 2006 Comparison of Productivity Initiative Results

	2001	2002	2003	2004	2005	2006	Ratepayer Savings
*Operating expenditures without productivity	\$80,590,030	\$70,425,072	\$67,891,407	\$72,763,115	\$76,779,813	\$82,131,582	
Less: operating business plan savings	\$2,560,030	\$4,639,072	\$6,263,407	\$7,659,049	\$8,797,620	\$8,983,589	\$38,902,767
Productivity operating expenditure target	\$78,030,000	\$65,786,000	\$61,628,000	\$65,104,066	\$67,982,193	\$73,147,993	
Less: actual operating expenditures	\$68,898,000	\$60,431,000	\$60,687,000	\$65,697,769	\$65,233,984	\$71,449,761	
Under (over) expenditure target	\$9,041,000	\$5,355,000	\$941,889	(\$593,704)	\$2,748,209	\$1,698,232	
Documented operating savings	\$2,762,000	\$1,670,956	\$941,889	0	\$1,445,306	\$1,644,352	
Plus: capital savings	0	0	0	0	0	\$37,600	
Less: penalty deduction (See NOTE Page 22)	0	0	0	0	0	(\$137,029)	
Ratepayer share (50%)	\$1,381,000	\$835,478	\$470,944	(\$296,852)	\$722,653	\$772,461	\$3,885,684
Payment to employees	\$750,685	\$766,884	\$432,178	0	\$617,283	\$689,692	
Administrative costs	\$67,336	\$68,594	\$38,765	0	\$55,370	\$82,769	
Contribution to Rainy Day Fund	\$400,000	0	0	(\$296,852)	\$100,000	0	
Contribution to Investment Fund	\$162,979	0*	0*	0*	(\$50,000)	0	
Employee share (50%)	\$1,381,000	\$835,478	\$470,944	(\$296,852)	\$722,653	\$772,461	
Rainy Day Fund year-end balance	\$400,000	\$417,089	\$429,019	\$141,234	\$203,147	\$203,147	
Investment Fund year-end balance	\$162,979	\$169,959	\$174,820	\$178,515	\$165,957	\$153,257	

\*Operating expenditures without productivity is the amount that was estimated to be the actual expenditures of the Wastewater Treatment Division if the division had not implemented the Productivity Initiative. From this amount, reduced expenditures based on operating business plan savings were estimated to establish the productivity operating expenditure target.

**NOTE:** The Productivity Pilot Plan sets out specific performance guarantees that have to be met each year, as described in **Appendix 2: 2006 Incentive Fund Performance Guarantees and Eligibility Guidelines** on Page 38.

On February 3, 2006, the West Point Treatment Plant experienced a brief disinfection failure that did not result in a permit violation. However, the Department of Ecology investigated the situation and fined the program about \$4,000 for the lack of representative sampling and for not having adequate measures for continuous and effective disinfection. Under the terms of the Productivity Initiative Pilot Plan, the total Incentive Fund operating savings underexpenditure being claimed for the Incentive Fund must be reduced by one-twelfth (1/12) for every month during the savings year in which the program violates its discharge permit or receives a fine associated with its discharge permit. As a result of Ecology's finding, the 2006 productivity savings includes a reduction for the month of February 2006, which amounts to one-twelfth (1/12) reduction of the total operating savings, or \$137,029.

The wastewater program successfully met the Safety and Performance Non-Degradation Guarantees for 2006.

### 2001 to 2006 Productivity Incentive Fund Activity

	2001	2002	2003	2004	2005	2006	Total
Savings to ratepayers (50%)	\$1,381,000	\$835,478	\$470,944	(\$296,852)	\$722,653	\$772,461	\$3,885,684
Savings to employees (50%)	\$1,381,000	\$835,478	\$470,944	(\$296,852)	\$722,653	\$772,461	\$3,885,684
Employee payouts (one full share)	\$1,260	\$1,253	\$681	\$0	\$943	\$1,069	\$5,206
Administrative Costs Associated with Employee Payout	\$67,336	\$68,594	\$38,765	\$0	\$55,370	\$82,769	\$312,834
							<b>Account Balance</b>
Investment Fund	\$162,979	\$6,980	\$4,861	\$3,695	(\$12,558)	(\$12,700)	\$153,257
Rainy Day Fund	\$400,000	\$17,089 (interest only)	\$11,930 (interest only)	(\$287,785)	\$ 61,913	0	\$203,147

## Balanced Scorecard

### Overview

The WTD uses a Balanced Scorecard, a performance measurement tool often used in private business, to measure its overall performance. Balanced Scorecards were developed in the 1990s as tools for businesses and organizations to evaluate performance beyond just financial measurements by providing performance feedback from multiple perspectives. WTD uses the Balanced Scorecard as a management tool to monitor how well the programs and strategies developed as part of the Productivity Initiative are working. The Balanced Scorecard ensures that program decisions take into account different perspectives, including employee management, finance, business practices and customer focus. These four areas of performance are measured by four corresponding quadrants of the Balanced Scorecard.

In 2001 WTD management identified performance indicators in each of the four quadrants, and began collecting data so that year-to-year comparisons could be made during the ten years of the Productivity Initiative. The targets are set to be very aggressive and comparable to results reflecting the performance of the best wastewater programs in the nation.

A performance measurement system, such as the Balanced Scorecard, allows a public utility to align its service levels with operational and financial performance. It permits real deployment and implementation of strategy on a continuous basis. With it, a utility can get feedback needed to guide planning efforts. The four quadrants and their key measures are described on the following pages.

### How Ratings are Applied to Measurements

In 2003, the program began using specialized software (“pbViews”) to help automate the process of gathering and displaying data. Beginning in 2006, the methodology of color ratings was standardized so that green is achieved when the performance-to-target ratio is equal to or greater than 100%; a measure is rated yellow when the performance-to-target ratio is 90-99%; and a measure receives a color rating of red when its performance-to-target ratio is less than 90%. However, any performance for environmentally critical measures or permit compliance that falls below 100% of target will receive a color rating of red.

### 2006 Summary of Overall Results

In 2006, two of the four quadrants, Financial Performance and Business Practices, were rated **green** overall. The Customer Focus quadrant was rated **red** overall. Individual measures in this quadrant also dropped to **red** in several areas. This was not unexpected, as WTD continues contract negotiations with component agencies. Employee Management’s **yellow** rating was unchanged from 2005. The number of individual measures that dropped from **yellow** to **red**, however, increased. *For details, see Pages 25-28.*

\*NPDES=National Pollutant Discharge Elimination System



### At a Glance...

- ✓ **Green** indicates target was satisfactorily met. A **green** rating is only achieved when performance is at 100 percent of target.
- ✓ **Yellow** indicates performance was within 90-99% of established target. For environmentally critical measures, such as NPDES permit compliance and Number of Sanitary Sewer Overflows, there is no yellow rating. For those measures, a rating of red is given for any performance falling below the target.
- ✓ **Red** indicates performance has fallen below an established threshold and is of a critical nature in need of attention. Beginning in 2006, this threshold has been standardized across all measures as any performance falling below 90% of established target. For critical measures in which performance must be maintained at or above 100% of target, red indicates failing to meet 100% of target.

# Productivity Initiative Annual Report 2006

## WTD 2006 Balanced Scorecard Report

Measure <i>NTET=Not to Exceed Target</i>	2006 Target	2006 Actual	2005 Actual
<b>Financial Performance</b>			
Operating cost per lb of BOD & TSS removed NTET**	<\$0.3234	\$0.3425	\$0.3083
Contribution to Productivity Incentive Fund	>\$0	\$772,461	\$722,653
Productivity Operating Budget NTET**	<\$73,147,993	\$71,449,761	\$65,233,984
Total Debt Service Coverage Ratio	≥1.15	1.28	1.22
<b>Business Practices</b>			
NPDES Compliance	100%	100%	100%
% Reporting Compliance	100%	99.33%	99.48%
% Air Compliance	100%	100%	100%
# Marine Sediment Sites Meeting State Quality Standards	7	7	7
# Wet Weather Sanitary Sewer Overflows NTET	0	27	3
# of Avoidable Sanitary Sewer Overflows NTET	7	5	7
CSO Volume as % of Total Flow NTET	≤3.00%	1.12%	1.40%
% Biogas Recycled at Wastewater Treatment Facilities	≥75%	73%	75%
% Biosolids Recycled	100%	100%	100%
Reclaimed Water (million gallons)	≥260.00	259.00	264.60
Safety-# Lost Time Accidents NTET	≤22	24	18
Safety-Employee Satisfaction with Workplace Safety (1-5)	≥4	3.85	3.87
% of BOD/COD NPDES Limit NTET	≤80.00%	31.00%	41.01%
Fecal Coliform Annual Geometric Mean (Coliform Forming Units) NTET	≤175	18	18
Total Suspended Solids mg/L NTET	≤24 mg/L	12 mg/L	13.8 mg/L
<b>Customer Focus</b>			
Component Agency Response to Survey	≥90%	21%	85%
Quality of Contract Svc Rated by Local Sewer Agencies (1-5)	≥4	3.29	3.38
Value of Service as Rated by Local Sewer Agencies (1-5)	≥4	3.86	3.07
Customer Service Satisfaction by Local Sewer Agencies (1-5)	≥4	2.29	3.76
Resident Good Neighbor Survey (Residents who view WTD as good neighbor)	≥75%	74%	68%
Business Good Neighbor Survey (Businesses who view WTD as good neighbor)	≥75%	63%	60%
<b>Employee Management</b>			
Employee Retention	≥91%	94.4%	95.6%
Hours of Training per Employee	≥50	51.11	45.17
Overall Satisfaction with Jobs (1-5)	≥4	3.84	3.55
Employee Rating of Innovation (1-5)	≥4	3.66	3.85
Employee Satisfaction w/Supervisor Communication and Support (1-5)	≥4	3.56	3.62
Satisfaction w/ Leadership and Management (1-5)	≥4	3.27	3.40
Spirit of Teamwork (rating of 1-5)	≥4	3.73	3.90
Satisfaction w/ Participation in Decision Making (1-5)	≥4	3.72	3.50
Satisfaction w/ Training and Development (1-5)	≥4	3.25	3.30
<b>LEGEND</b>			
<b>Met Target (100% performance to target ratio)</b>			
<b>Near Target (90-99% performance to target ratio)*</b>			
<b>Needs Attention (below 90% performance to target ratio)</b>			

NOTES: \*Beginning in 2006, the rating methodology was standardized across all measures so that measures achieving 90-99% of target were rated yellow and those performing below 90% of target are rated red. To facilitate meaningful trend comparison of performance data, the table applies the new standardized rating methodology to the 2005 data. This changes the color rating of several measures to red, when previously they were shown as yellow in the 2005 Productivity Initiative Report. \*\*The 2005 target for cost/lb. of Biochemical Oxygen Demand (BOD) and Total Suspended Solids (TSS) removed was \$0.3119. The 2005 Productivity Operating Budget was \$67,672,671.



# Productivity Initiative Annual Report 2006

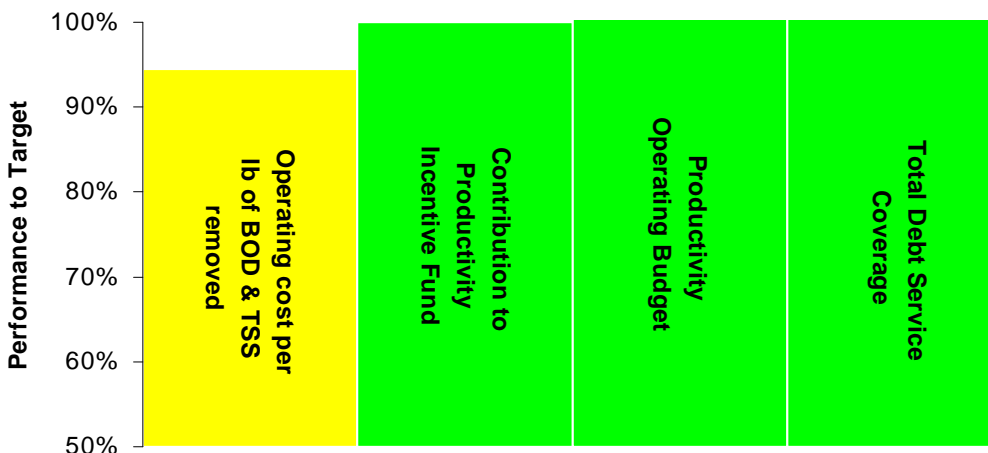
## Financial Performance Results

### Description of Measures

The Financial Performance quadrant of the Balanced Scorecard includes measures that indicate the overall financial health of WTD and the efficiency with which the division provides services to its customers and stakeholders.

### 2006 Performance Results

Measure	Performance Notes
Efficiency measured by operating cost per lb. of pollutants (BOD/TSS) removed from effluent (not to exceed target)	Exceeded target by 6%, measure rated yellow
Contribution to Productivity Incentive Fund (possible only when efficiencies in operating or capital programs result in an underexpenditure in the overall productivity operating budget).	\$772,461, measure rated green
Productivity Operating Budget (actual expenditures compared to a not-to-exceed target)	2006 expenditures were less than the not-to-exceed target by 2.3%, measure rated green
Debt Service Coverage Ratio	1.28, performed better than target by 11.3%, measure rated green



## At a Glance...

- ✓ Contribution to Productivity Initiative Incentive fund increased by 7% from the 2005 contribution.
- ✓ For every year since the inception of the Balanced Scorecard in 2001, WTD has consistently exceeded the target established for its total debt service coverage ratio, an indicator of strong financial health.
- ✓ In 2006, the cost per pound of pollutants removed from wastewater effluent rose higher than the rate of inflation. The target for this measure adjusts annually at the rate of inflation. In 2006, the Consumer Price Index (CPI) rose 3.7% in King County. The cost per pound of pollutants removed rose 11% from its 2005 level.



## At a Glance...

- ✓ Extreme weather in mid-December 2006 overwhelmed pumping, conveyance and treatment systems, leading to multiple sanitary sewer overflows. These, along with the failure of the Barton Force Main in early 2006, contributed to an unusually high number of overflows.
- ✓ Lost-time accidents for employees increased 33% from 2005, turning the measure from green to yellow. These accidents were primarily related to repetitive stress injuries (back, shoulder, wrist), attributable to an aging workforce.
- ✓ Biogas recycling declined slightly in 2006 due to aging cogeneration systems. In 2007, WTD's Waste-to-Energy Project will assess alternatives to maximize beneficial uses of biogas. Implementation of the preferred alternative will follow.
- ✓ Both West Point and South treatment plants continue to consistently achieve 100% compliance with their NPDES permits. Both plants received Platinum Peak Performance Awards from the National Association of Clean Water Agencies in 2006.

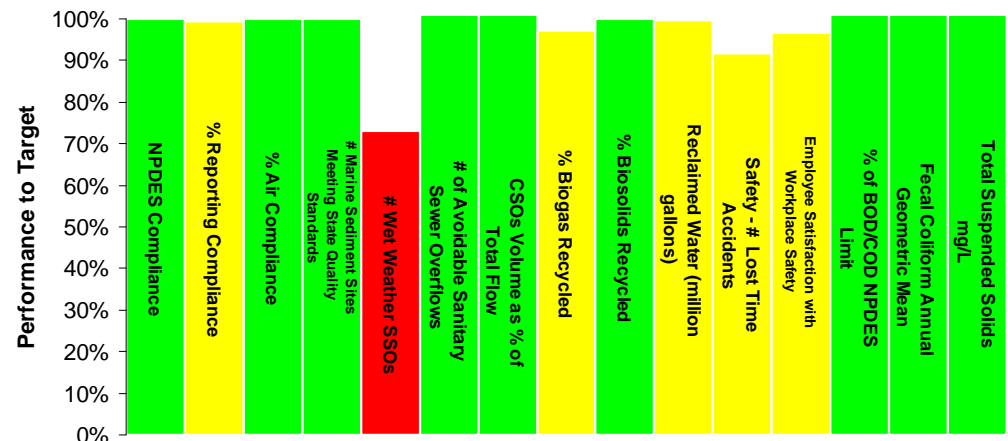
## Business Practices Results

### Description of Measures

The Business Practices quadrant of the Balanced Scorecard (formerly known as Key Internal Processes) includes a diverse sampling of measures that look at WTD's compliance with its NPDES permits; its stewardship of public health and water quality in terms of limiting sewer overflows and conducting sediment cleanups; resource reclamation efforts; employee safety in the workplace; and a set of non-degradation measures meant to ensure that operating savings associated with the Productivity Initiative do not come at the expense of wastewater effluent quality.

### 2006 Performance Results

Measure	Performance Notes
NPDES Compliance	100% compliance for West Point and South plants
% Reporting Compliance	99.33% reporting compliance average for both plants
% Air Compliance	100% compliance at both plants
# Marine Sediment Sites Meeting State Quality Standards	7 out of 7; new sampling needed as data is from 2001
# Wet Weather Sanitary Sewer Overflows	27 in 2006, measure is red
# of Avoidable Sanitary Sewer Overflows	5, measure is green
CSO Volume as % of Total Flow	1.12%, measure is green
% Biogas Recycled at Wastewater Treatment Facilities	73%, slight decline from 2005
% Biosolids Recycled	100%
Reclaimed Water (million gallons)	259 MG, measure dropped from green to yellow
Safety - # Lost Time Accidents	24, a 33% increase from 2005, measure is yellow
Safety - Employee Satisfaction with Workplace Safety (rating of 1-5)	3.85, 96% of established target, measure is yellow
% of BOD/COD NPDES Limit	All three non-degradation guarantee measures are rated green
Fecal Coliform Annual Geometric Mean	
Total Suspended Solids mg/L	



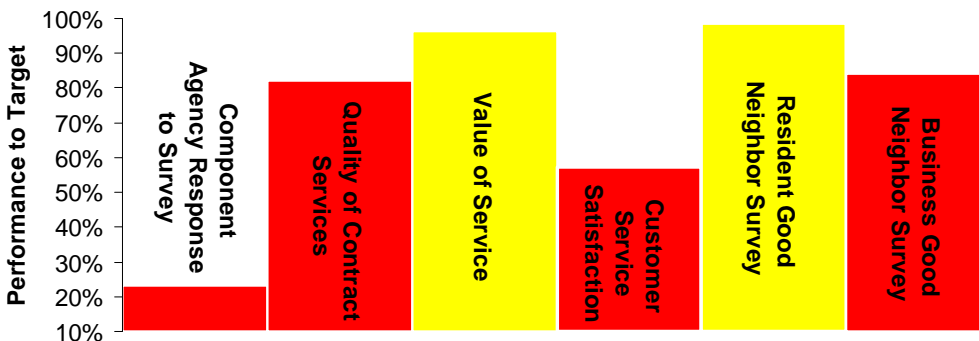
## Customer Focus Results

### Description of Measures

The Customer Focus quadrant of the Balanced Scorecard includes measures that look at how component agencies view the quality and value of their contract services with WTD. This quadrant also looks at how neighbors to WTD facilities, both residential and business, view WTD as a neighbor. Near Neighbor and Contract Customer surveys are sent out annually to customers and neighbors. Questions in the Contract Customer surveys are rated on a scale of 1-5, with 1 being poor and 5 being excellent. The target established for these measures is 4, a rating of very good. The results of the Near Neighbor survey are calculated as a percentage of neighbors and businesses who view the West Point and South treatment plants as good neighbors. The target established for these measures is 75%.

### 2006 Performance Results

Measure	Performance Notes
Response rate to Contract Customer survey	The response rate of 21% to the survey was very low for 2006, 69 percentage points below the target of 90%, and well below the response rate for 2005 of 85%. This measure is red for 2006.
Quality of contract services as rated by local sewer agencies	This measure declined by 10% from 2005. Local agencies have been unhappy with the contract extension process under negotiation. This measure is rated red for 2006.
Value of services as rated by local sewer agencies	Despite declining performance on other customer satisfaction measures for 2006, value of services rose from the 2005 rating by 26%, raising the rating from red to yellow.
Customer service satisfaction by local sewer agencies	The rating for 2006 dropped from 2005. This measure is rated red.
Residents who view WTD as a good neighbor	74%, which is an increase of 6 percentage points from 2005. While very close to meeting the target (75%), this measure is yellow for 2006.
Businesses who view WTD as a good neighbor	63%, which represents a slight improvement from 2005. Performance for 2006 falls below 90% of the established target for this measure. Businesses continue to give WTD lower ratings due to odor complaints.



## At a Glance...

- ✓ The lower ratings for contract customer satisfaction measures in 2006, and the low survey response rate, may be due to contract negotiations in progress. Ratings are expected to rise once the contract issues are resolved. The Division Director is holding individual meetings with each component agency in 2007 to improve communication and relationships with component agency customers.
- ✓ To improve satisfaction with residential and business neighbors, the top two priorities for WTD will be odor control and responding to complaints within 24 hours.
- ✓ In 2007, efforts are underway to improve the design of the Contract Customer survey questions and how the survey is administered to improve the response rate.



## Productivity Initiative Annual Report 2006

### Employee Management Results

#### Description of Measures

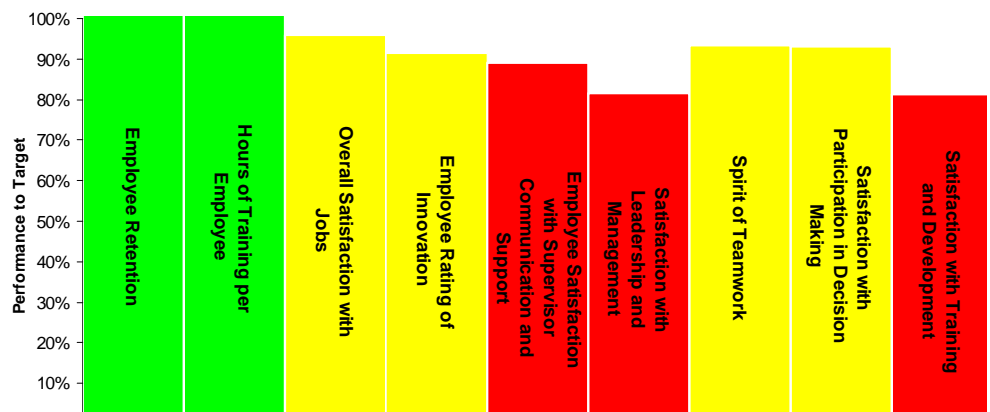
The Employee Management quadrant of the Balanced Scorecard primarily includes measures tied to results from the annual Employee Survey. There are also measures for the employee retention rate and hours of training per employee.

#### 2006 Performance Results

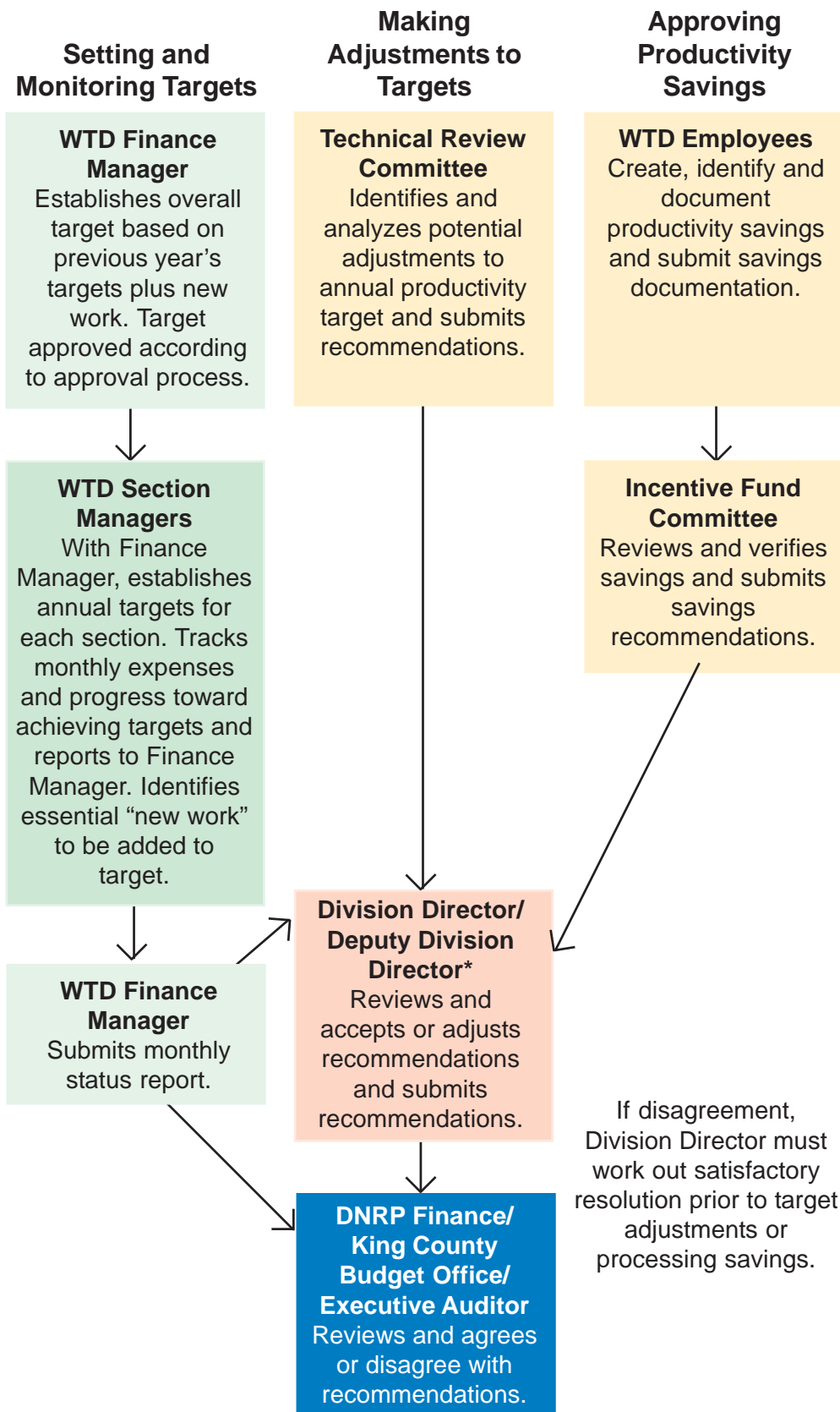
Measure	Performance Notes
Employee Retention	94.4%, measure is green
Hours of Training per Employee	51.1 hours (average) per employee, measure is green
Overall Satisfaction with Jobs	3.84, measure went from red to yellow
Employee Rating of Innovation	Measure declined from 3.85 to 3.66, rated yellow
Employee Satisfaction with Supervisor Communication and Support	Measure declined, changing rating from yellow to red
Satisfaction with Leadership and Management	Measure declined, rating stayed red
Spirit of Teamwork	Measure declined slightly, rating stayed yellow
Satisfaction with Participation in Decision Making	Measure improved from 3.5 to 3.72, changing rating from red to yellow
Satisfaction with Training and Development	Measure declined slightly, rating stayed red

#### At a Glance...

- ✓ The original target of 57.5 hours of training per employee (on average) was reduced in 2005 to 50 hours of training per employee because a majority of mandatory training has been completed by employees. On average, employees each received 51.1 hours of training in 2006, moving the measure from yellow to green.
- ✓ The score for Overall Satisfaction with Jobs improved from 3.55 in 2005 to 3.84 in 2006, raising the rating from red to yellow.
- ✓ T<sup>2</sup>OPS, new Technical Training for Operations, will be launched in summer 2007.



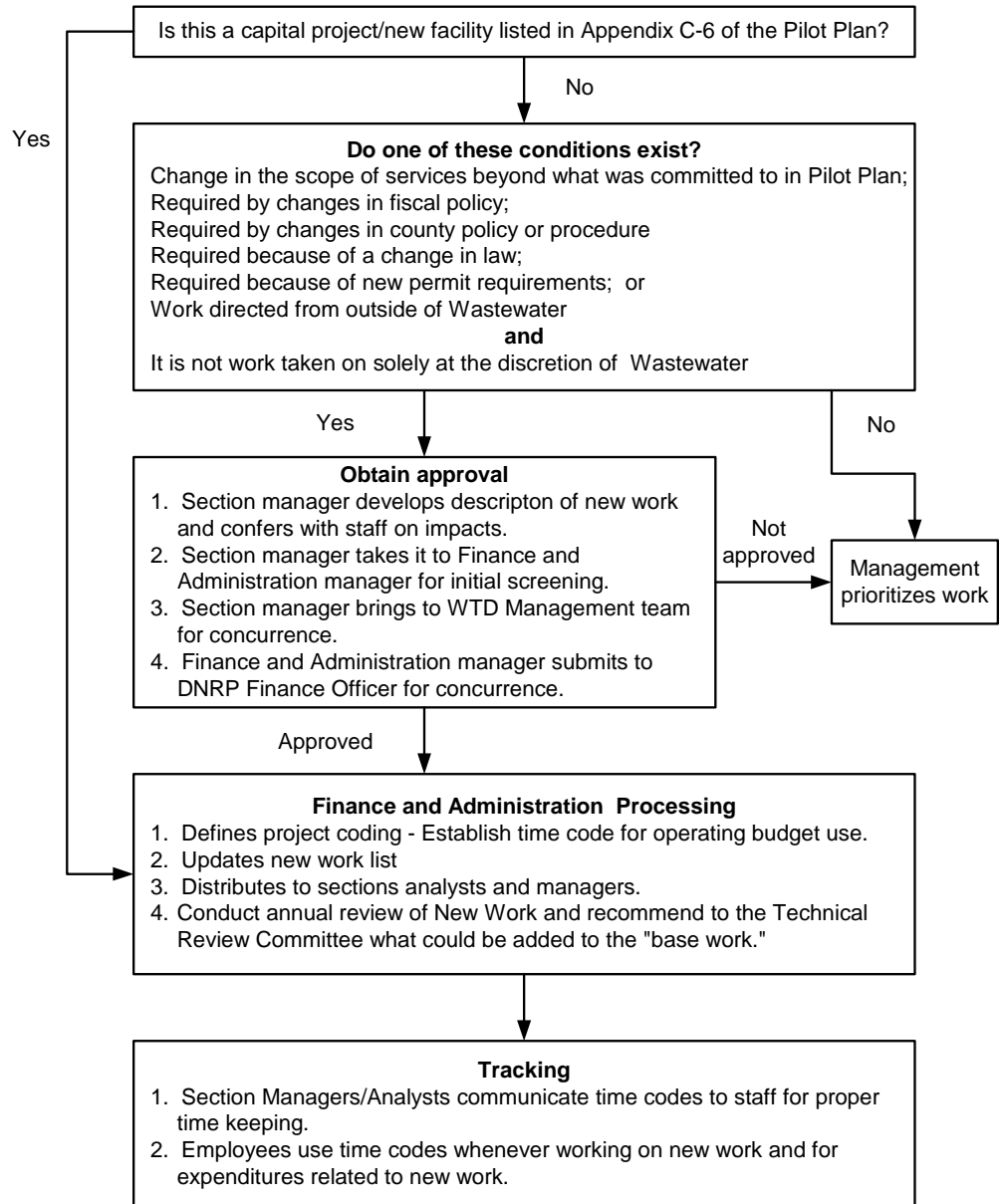
Pilot Program Decision Making and Oversight



At a Glance...

✓ \*Division Director and Deputy Division Director are the final division-level decision makers for the program. To maintain program integrity, they are not eligible for any financial distributions from the Productivity Incentive Fund.

## Determining New Work



### At a Glance...

- ✓ Review conditions.
- ✓ Obtain approval.
- ✓ Finance and Administration processing.
- ✓ Tracking.

### Incentive Fund Committee

#### Role of the Committee

The Incentive Fund Committee (IFC) provides recommendations to the WTD Division Director regarding the oversight and management of the Incentive Fund. The 14 committee members are selected to represent their respective labor organizations, as follows: Local 925 (4 members), TEA (3 members), Local 117 (2 members), Council 2 Local 1652R (1 member) and Local 17 (1 member). In addition, two members represent the Management Team, and one member represents nonrepresented employees.

#### 2006 Recommendation and Activities

##### *2006 Results Review*

The final 2006 Productivity Initiative target and the target adjustment factors and methodology were reviewed and approved by the committee. Salary savings and employee-initiated expense and labor savings were individually reviewed and approved by the committee. Several required additional information and clarification prior to approval. The plant budget analysts developed a new process for documenting employee-generated savings ideas, whereby the idea is first analyzed and approved by the plant leadership before being submitted to the Incentive Fund Committee. Primarily due to the outreach efforts of committee members, a record number of savings were documented and forwarded to the committee in 2006. The committee reviewed the Rainy Day and Investment fund balances and determined there was sufficient money in each and no additions were warranted; therefore, it was recommended that the total 2006 employee share be paid out to eligible employees, excluding payroll taxes.

##### *Incentive Fund Oversight*

Periodic reviews were done by the committee on the expenditures and balances of the Incentive Fund.

##### *Employee Recognition*

The committee reviewed the expenses and activities to date, and revised the employee recognition policy to update the amounts available to the section for recognition events. Funding for refreshments for other types of employee events was explored, and the decision was made to keep with the events in the existing policy for the time being.

### At a Glance...

#### Committee Responsibilities

- ✓ Develop recommendations on how to document savings and expend funds consistent with the Productivity Initiative Pilot Program.
- ✓ Recommend annual distribution of Productivity Initiative Fund to Division Director.
- ✓ Monitor use of the investment portion of the Incentive Fund.
- ✓ Monitor the progress of planned dollar savings and efficiencies.
- ✓ Communicate with employees.

See Appendix 2:  
*Eligible/Non-Eligible Work  
Hours, Page 40.*

### ***Travel and Training Funding***

The committee made a recommendation to the Division Director that \$20,000 be earmarked in 2006 for travel and training from the investment portion of the Incentive Fund. While the details of the committee's process for approving each proposed expenditure were not finalized, the approvals are to be based on the following elements:

- Travel/training is specifically intended to generate future productivity savings.
- Travel/training is only for those instances where county policy precludes sending multiple employees to the same conference or event.

There were no requests made to the Incentive Fund Committee for this purpose in 2006.

### ***Other Activities***

- Along with the members of the Technical Review Committee, Incentive Fund Committee members participated in the consultant interviews for the development of business and staffing plans.
- The eligibility guidelines for determining productivity payouts were improved by adding a table of all the payroll Time Reporting Codes, indicating whether or not time reported in a particular time code should be counted towards eligible hours. *See Appendix 2, Page 40.*



### Technical Review Committee

#### Role of the Committee

The role of the Technical Review Committee (TRC) is to review and recommend updates and improvements regarding the Productivity Initiative to the WTD Management Team. Committee members work with their labor representatives and fellow employees to keep them informed of issues that arise and convey the interests of their sponsors.

#### 2006 Recommendations and Activities

##### *Capital Pilot Projects*

Asset Management staff and the Division Director made presentations to the committee on the Major Capital, Asset Management (AM) and Small In-house Capital Construction Pilot Projects. Members sought to gain understanding of the various pilots and made recommendations to staff on implementation and possible future improvements. The TRC members recommended to the Incentive Fund Committee that any AM pilot plan savings be paid out annually. The committee also recommended establishing a reserve mechanism for the Asset Management pilot, using a reasoning process similar to the process used to establish the Rainy Day Fund.

##### *Target Changes*

The committee finalized the work on the target modifications that it began in 2005. These modifications were applied in the 2005 and 2006 savings years. As a result, the methodology to create an adjusted target is simpler and easier to understand and better reflects the adjustments that are made to the target for commodity price changes, new work, inflation, overhead charges, etc. A protocol for foreseen and unforeseen equipment failures was created to address under what circumstances the target could be adjusted. Refinements were made to the new work tracking system and a recommendation was made that each new work item should be reviewed annually to determine whether or not it should be incorporated into the base target for a year with the target adjusted accordingly, and no longer be tracked separately.

##### *Other Activities*

The committee reviewed the Executive Audit Services Report of Review - Wastewater Productivity Initiative, with an eye to seeing what recommendations could be made to improve the Productivity Initiative process.

As part of the WTD business and staffing plan updates, committee members were interviewed at length by the project consultants and their comments were incorporated into the consultants' report.

Committee members reviewed and commented on the proposed revisions to the reorganization of the Productivity Initiative intranet site and a companion publication for employees.

*See Appendix 5:  
Technical Review  
Committee  
Recommendations to  
Productivity Initiative  
Adjustments, Pages 45-46.*

### At a Glance...

#### Committee Responsibilities

- ✓ Review and comment on operating program results.
- ✓ Review and comment on the proposed changes to the annual allowable adjustments.
- ✓ Review and recommend changes to the "inside the fence" and "outside the fence" elements.
- ✓ Review and recommend any other changes as may be needed based on the operating program review.
- ✓ Review, comment and, where appropriate, recommend strategies to be implemented to achieve future Productivity Initiative targets.
- ✓ 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.

### Report from Executive Audit Services

The King County Office of Management and Budget, Executive Audit Services, reviewed the Productivity Initiative target adjustments, target totals and actual totals for 2006; reviewed worksheets for reasonableness and consistency with established procedures; and compared current and prior year target adjustments for consistency of method and application.

In its report dated May 30, 2007, Executive Audit Services issued two findings and recommendations, which are summarized below with WTD's responses.

***Finding No. 1:*** Discrepancies between reported savings and backup documentation were identified, which were not material to the Initiative Fund total and have been corrected. WTD did not allow sufficient time to thoroughly review Productivity Initiative results for accuracy.

- **Recommendation:** Review the reporting process to determine whether or not reporting deadlines should be changed or more strictly enforced.
- **WTD Response:** Concur. Stricter adherence to the schedule will be enforced in subsequent years.

***Finding No. 2:*** A salary savings claimed for a vacant position was computed using the salary paid to the former employee, who was at or near the top salary range for the position.

- **Recommendation:** Establish a policy of reporting salary savings for vacant positions at the level used for budgeting for a new hire, and establish procedures for checking the accuracy of computations.
- **WTD Response:** Concur. WTD will establish a policy of reporting salary savings for vacant positions at the level budgeted for a new hire, as well as procedures for checking the accuracy of computations.

### Outlook for 2007 to 2010

In mid-2006, the wastewater program contracted with an outside, independent consultant with industrywide experience to do a comprehensive assessment of its operating program. The purpose of this effort was to update the program's business plans and create a long-range staffing plan to improve the program's ability to achieve its productivity targets in the remaining years of the Productivity Initiative.

Specifically, the consultants were charged with determining whether it would be possible for the wastewater program to operate and maintain two new wastewater facilities (the Brightwater and Carnation treatment facilities) using the same number of wastewater program employees as in 2000, before launching the Productivity Initiative. The consultants were asked to (1) identify cost-saving opportunities in the form of recommendations that could be incorporated into future budgets and (2) develop staffing plans for each section.

The consultants delivered their report and recommendations to wastewater program management in December 2006. Management solicited comments on the recommendations and suggestions for alternate ways to achieve the same efficiencies from employees, and began deliberating on the recommendations and feedback in early 2007. The results of that effort, now in the implementation phase, will be detailed in the 2007 Productivity Initiative Annual Report.

A similar review process on the capital side of the wastewater program was launched in April 2007, led by a former WTD Deputy Director. Management received a report and recommendations from that effort in late May, and expects to make decisions on the recommendations by early July 2007.

The combination of these review efforts, continued support from labor unions, monitoring provided by the Technical Review Committee and experience gained with the pilot program to date are expected to favorably position the wastewater program to meet its 2007 to 2010 productivity targets.

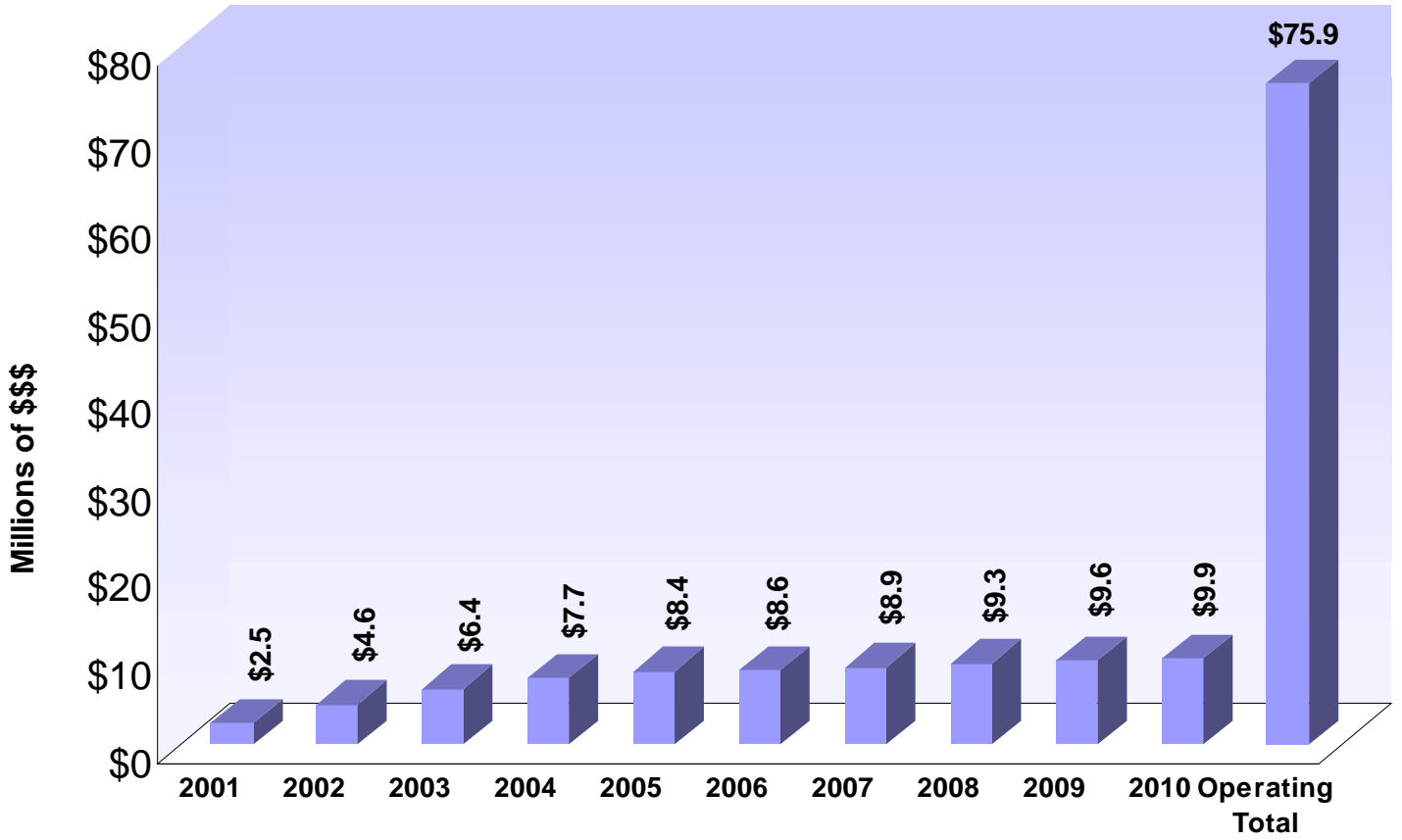
### At a Glance...

- ✓ Management to implement long-range staffing plan based on consultant report and recommendations and employee feedback.
- ✓ Comprehensive assessment of capital program currently in process.



# Technical Appendix

Appendix 1: Estimated Savings by Year



**Note:** Projected savings over the next ten years is based on the 2000 budget (assuming 3% inflation and after transfers to capital are accounted for).

## Appendix 2: 2006 Incentive Fund Performance Guarantees and Eligibility Guidelines

### ***Productivity Incentive Fund***

The Productivity Incentive Fund is an account created to track the additional savings that result from actual costs lower than the annual adjusted operating target that are attributable to actions taken by employees to incur savings. The King County Wastewater Treatment Division shall retain 50 percent of those additional savings and 50 percent shall be assigned to a Productivity Incentive Fund. A minimum of 25 percent of the funds annually assigned to the Productivity Incentive Fund shall be designated for distribution to all eligible employees as defined following.

If the wastewater program does not meet the annual adjusted operating target, then the difference shall be made up from the Productivity Incentive Fund.

### **Performance Guarantees**

- ***Permit Effluent Standards.*** The wastewater program will pay from the operating budget for any fines related to NPDES permit violations at these plants, as evidenced by issuance of a Notice of Penalty by the Washington Department of Ecology (Ecology). In addition, any Productivity Incentive Fund contribution established by this Pilot Program shall be reduced by one-twelfth for each month in any given year in which a violation occurred as evidenced by issuance of a Notice of Penalty or Administrative Order by Ecology due to an effluent exceedance. This would not apply if the violation was a direct result of an uncontrollable circumstance.
- ***Performance Nondegradation Guarantee.*** The wastewater program further guarantees to achieve specific effluent limits for the South Treatment and West Point Treatment Plants. For any year that one of these limits is exceeded, the wastewater program will forfeit 33 percent from any contribution to the Productivity Incentive Fund. These specific performance parameters may be reviewed annually as information is collected over time:
  - Annual Average Suspended Solids: 24mg/l.
  - Annual Average BOD: 24 mg/l.
  - Annual Geometric Mean Fecal Coliform: 175 colonies/100 mls.
- ***Safety.*** The wastewater program guarantees that maintaining the safety of wastewater program employees will remain a primary concern in how it conducts its business. The wastewater program will not exceed an average of 22 time-loss accidents (an average based on the last five years, from 1996 to 2000) per rolling three-year period, based on the current number of employees and facilities in service. For any year that this rolling three-year average limit is exceeded, the wastewater program will forfeit five percent from any contribution to the Productivity Incentive Fund.

### ***Administrative Guidelines/Payout Eligibility Criteria***

#### **Definitions**

- ***Savings Year.*** The calendar year in which an annual Incentive Fund is calculated.
- ***Payout Year.*** The year following the savings year when a payout can be made from the Incentive Fund.
- ***Payout.*** The action of distributing money from the Incentive Fund to eligible employees.

#### **Eligible Employees**

“Eligible employees” includes any regular full-time, regular part-time, term-limited temporary and temporary employees (including interns) of the Wastewater Treatment Division or wastewater program whose position is within the boundaries of the wastewater program, provided that:

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- The employee actively worked during the savings year.
- The employee worked at least 520 consecutive hours for the WTP/ WTD to establish initial eligibility, and worked without a break in service (terminated) after meeting the 520-hour threshold to maintain their eligibility.
- The employee was not discharged at any time during the savings year for cause or performance.
- An employee that leaves WTD after the savings year and before the payout is still eligible for the payout.
- The Division Director and Assistant Division Director are not eligible for payout from the Incentive Fund.
- GIS analysts working for WTD must meet all of the following criteria before being eligible for the Incentive Fund:
  1. Must be a member of the Technical Employees Association (TEA) ( bargaining unit in WTD.
  2. Ninety percent or more of their work must be exclusive to the WTD.
  3. Assigned work area must be at WTD facilities and/or WTD designated staff offices.
  4. Must be supervised by a WTD employee.

### Individual Prorated Share Calculations

- An eligible employee's share of the Incentive Fund shall be determined by the number of hours that an employee was compensated in the savings year after working the initial 520 hours required to establish eligibility.
- Eligible hours shall be prorated to the percentage of full-time, defined as 2080 hours.
- No employee shall receive more than 100% or "one" share.
- For the purposes of calculating "Eligible hours during the savings year," the year shall be defined as the hours/days corresponding to the biweekly periods paid during the savings year, also known as the "payroll year." (This may include hours worked/compensated for prior years but paid in the savings year, and exclude hours compensated in the savings year, paid in the following year).
- Full-time employees who have no unpaid leave (except military leave) in the savings year shall be considered for a full share if they have earned at least 1976 eligible hours (95% of 2080 hours).
- Full-time employees working a previously approved 35-hour work week are prorated.
- The complete list of eligible hour types follows on Page 40. Not all of the eligible types are fully compensated, e.g. job injury.

### Eligible/Non-Eligible Hours

See table on Page 40.

### Payout Distributions

The minimum prorated payout share must be at least \$25.00 to be processed. Prorated share distributions will not be processed for less than that amount.

### Distribution Amount Calculation

Upon determination of each eligible employee's prorated share of the portion of the Incentive Fund identified for employee payout, the dollars in the fund will be divided by the total number of shares payable to employees to determine the share amount. The distribution to each employee will then be based on his/her prorated amount of the share amount.

*Example:* Three employees worked during the savings payout year...

Employee	Total Compensated Hours	Prorated Share	Share Amount
A	2080	1.0 (100%)	\$285.71
B	1040	0.5 (50%)	\$142.86
C	520	.25 (25%)	\$71.43
Total Shares to Disburse		1.75	
Total Dollars in the Fund		\$500	
Share Amount (500/1.75)		\$285.71	

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## Eligible/Non-Eligible Work Hours

<b>Regular Earnings</b>	
Regular	Y
Regular Earnings True Temp	Y
Regular Earnings Late Occurrence	Y
Regular Earnings	Y
Regular Meeting Time	Y
Regular Earnings Training	Y
<b>Overtime</b>	
Overtime Earnings @ 1.5	N
Overtime Training @ 1.5	N
Overtime Meeting @ 1.5	N
Overtime Straight	N
<b>Comp Time</b>	
Comp Time Earned	N
Comp Time Earned On Holiday	N
Comp Time Earned @ 1.5	N
Comp Time Hours Adjustment Earned	N
Executive Leave Earned	N
Special Leave Earned	N
Non Job Injury (NJI) Modified Duty	Y
NJI Alternative Duty	Y
<b>All Premium Pays</b>	
Premium Pay - Lead Work @ 5%	Y
Premium Pay - Lead Work @ 7.5%	Y
Premium Pay - Lead Work @ 8%	Y
Premium Pay - Lead Work @ 10%	Y
Premium Pay - Out of Class @ 5%	Y
Work Out of Class @ 1.0	Y
Stand By Pay Per Union Agreement	N
Premium Pay-Standby @ 1.5%	N
Training - Unpaid	N
Premium Pay - Standby @ 12.75%	N
Premium Pay - Standby, Alert, Emergency	N
Call Back Pay - Overtime	N
<b>Vacation Leave Pay 200-249</b>	
Vacation	Y
Vacation Benefit Time	Y
Benefit Time (BT)	Y
Vacation - Family Medical Leave Act (FMLA)	Y
Vacation - FMLA	Y
Vacation - KC Family Leave with Pay	Y
Benefit Time Pay FMLA Leave w/Pay	Y
BT - KC Family Leave with Pay	Y
Vacation Paydown	N
BT - Paydown	N
Vacation Pay Severance	N
Vacation Benefit Severance @ 35%	N
Vacation-Special Pay	N
Vacation Deceased No-Tax	N
Vacation Pay Death Taxed	N

<b>Holiday Pay</b>	
Holiday Pay	Y
Personal Holiday Local 587	Y
Personal Holiday Paydown	N
Personal Holiday for 4/40	Y
Holiday Pay - Straight Time	Y
Regular Holiday Hours - Local 6	Y
<b>Sick Leave Pays</b>	
Sick Leave - Employee	Y
Sick Leave - Family	Y
Sick Leave - Child	Y
Sick Leave - FMLA Sick Child	Y
Sick - KC Family Sick Child	Y
Sick Leave - FMLA Sick Non Child	Y
Sick - KC Family Sick Non Child	Y
Sick Leave - FMLA Leave with Pay	Y
Sick - KC Family Leave with Pay	Y
Sick Leave Pay Severance	N
Sick Leave - Emergency	Y
Sick Leave Pay Deceased-Taxed	N
Sick Leave - Doctor Appointment	Y
Sick Leave - School Volunteer	Y
Sick Leave Bereavement	Y
Sick Leave Deceased No-Tax	N
Sick Leave Reserve	N
Reserve Sick - Subtract Hours	N
<b>Other Leave Pays</b>	
Bereavement Leave	Y
Administrative Leave W/Acc	Y
Organ Donor Pay	Y
Jury Duty Pay	Y
Military Leave Paid	Y
Military Leave Unpaid	Y
Union Leave - Paid	Y
Union Leave - Unpaid	N
Comp Time Taken	Y
Comp Time Paydown	N
Comp Time Payoff	N
Comp Time - Hours Donated	N
Leave With Pay	Y
Comp Time Hours Adjustment - Taken	Y
Leave Without Pay	N
Unexcused Absence	N
Leave W/O Pay With Vacation Accruals	N
Leave Without Pay Unexcused	N
Executive Leave Pay	Y
Executive Leave Hours Adj.	N
Special Leave Pay	Y
Special Leave Hours Adjustment	N
Family Leave Without Pay	N
KCFM Leave Without Pay	N
<b>Job Injury (JI) Related Pay</b>	
JI Leave Hours	Y

JI Alternative Duty	Y
Workers Comp - Family	Y
JI Leave Amount	Y
JI Leave Hours	Y
JI Leave No Accruals	Y
JI Leave Hours FMLA	Y
JI Modified Duty	Y
Worker's Compensation Pay	Y
JI Medical	Y
JI Leave Hours	Y
JI Day Of Injury	Y
JI Supplemental with Sick	Y
JI Supplemental with Vacation/Ben	Y
<b>Incentive Perks</b>	
Auto Commute Trip Value	N
Regular Earnings Travel Time	Y
Commuter Bonus Pay	N
<b>Miscellaneous</b>	
Claims Settlement	N
Undergraduate Education Pay	N
Grievance Pay - Retirement Eligible	N
Retro Pay	N
Retro Pay - Negative Offset	N
Pay Adjustment	N
Bonus Pay	N
Gain Share Regular - L117	N
Gain Share Overtime - L117	N
Gain Share Productivity Pay	N
<b>Other</b>	
Shift Differential	N
Shift Differential On Overtime	N
Pension Trust - L117 F5&F6	N
Pension Trust - L117 F6c	N
Retire Welfare Trust L117	N
Benefit Time Cash Out	N
Call Back Pay @ 1.5	N
Call Back Pay - Standard Time	N
Comp Time Donation	N
Comp Time Donation Trust	N
Comp Time Payoff Deceased No Tax	N
Comp Time Payoff Deceased No FI	N
Comp Time Donation Received	N
Executive Leave Payoff Deceased	N
Sick Leave Hours Adjustment	N
Sick Leave Return To Work	N
Sick Leave Reimbursement	N
Sick Leave Time Donated	N
Sick Leave Donation Received	N
Vacation Leave Hours Adjustment	N
Vacation Leave Reimbursement	N
Vacation Leave Time Donated	N
Vacation Leave Donation Received	N

**Y** = Eligible

**N** = Not Eligible



Appendix 3: Short-Term Salary Savings

2006 Aggregate Short-Term Salary Savings		
Section	Position Title	Savings Approved
Environmental Lab	Environmental Lab Scientist II	\$15,413
Environmental Lab	Environmental Lab Scientist I	\$31,914
Environmental Lab	Environmental Lab Scientist I	\$6,738
Environmental Lab	Environmental Lab Scientist II	\$9,800
Environmental Lab	Environmental Lab Supervisor	\$24,941
Environmental Lab	Environmental Lab Scientist II	\$26,795
Environmental Lab	Senior Systems Engineer	\$38,177
Environmental Lab	Environmental Lab Supervisor	\$62,110
Environmental Lab	Environmental Lab Scientist III	\$60,573
	<b>Environmental Lab Subtotal</b>	<b>\$276,461</b>
Planning & Compliance	Environmental Program Supervisor	\$40,237
Planning & Compliance	Administrative Specialist II	\$15,939
	<b>Planning &amp; Compliance Subtotal</b>	<b>\$56,176</b>
East	Support Specialist	\$14,460
East	Engineer III	\$23,981
East	Senior Wastewater Operator	\$6,073
East	Wastewater Process Analyst III	\$24,615
East	Process Lab Specialist III	\$11,414
East	<i>Utility Worker Series</i>	\$35,519
East	<i>Operator Series</i>	\$205,488
East	<i>Industrial Instrument Technician Series</i>	\$148,300
	<b>East Section Subtotal</b>	<b>\$469,850</b>
West	Industrial Engine Mechanic	\$7,609
West	Inventory Purchasing Specialist	\$1,236
West	Process Lab Specialist	\$1,474
West	Wastewater Treatment Supervisor	\$3,166
West	<i>Industrial Instrument Technician Series</i>	\$32,565
West	<i>Utility Worker Series</i>	\$75,241
West	<i>Operator Series</i>	\$93,538
	<b>West Section Subtotal</b>	<b>\$214,829</b>
	<b>Final approved salary savings</b>	<b>\$1,017,316</b>

\* See Pages 42 and 43 for details on East and West Section Series Short-Term Salary Savings

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### 2006 East Section Short-Term Salary Savings

Job Class/Title	Weeks Vacant	Savings from Worksheets	% Adjustment	Final Productivity Savings
Utility Worker (Vacant)	52	\$4,482	100%	\$4,482
Utility Worker	15	\$16,612	90%	\$14,703
Utility worker	30	\$20,417	80%	\$16,334
<b>Utility Worker Subtotal</b>				<b>\$35,519</b>
Wastewater Treatment Operator	7	\$9,756	90%	\$8,780
Wastewater Treatment Operator	52	\$70,501	100%	\$70,501
Wastewater Treatment Operator	44	\$75,142	50%	\$37,571
Wastewater Treatment Operator	44	\$61,707	50%	\$30,854
Wastewater Treatment Operator	24	\$33,448	50%	\$16,724
Wastewater Treatment Operator	52	\$82,117	50%	\$41,059
<b>Wastewater Treatment Operator Subtotal</b>				<b>\$205,488</b>
Industrial Instrument Technician	11	\$18,429	100%	\$18,429
Industrial Instrument Technician	35	\$61,426	100%	\$61,426
Industrial Instrument Technician	39	\$68,445	100%	\$68,445
<b>Industrial Instrument Technician Subtotal</b>				<b>\$148,300</b>

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### 2006 West Section Short-Term Salary Savings

Job Class/Title	Weeks Vacant	Savings from Worksheets	% Adjustment	Final Productivity Savings
Industrial Instrument Technician	28	\$44,240	50%	\$22,120
Industrial Instrument Technician	11	\$17,380	50%	\$8,690
Industrial Instrument Technician	2	\$3,510	50%	\$1,755
<b>Industrial Instrument Technician Subtotal</b>				<b>\$32,565</b>
Utility Worker	28	\$29,820	75%	\$22,365
Utility Worker	52	\$70,501	75%	\$52,876
<b>Utility Worker Subtotal</b>				<b>\$75,241</b>
Operator Series	12	\$17,272	50%	\$8,636
Operator Series	4	\$6,932	50%	\$3,466
Operator Series	8	\$13,865	50%	\$6,933
Operator Series	26	\$43,873	50%	\$21,937
Operator Series	30	\$40,284	50%	\$20,142
Operator Series	8	\$12,492	50%	\$6,246
Operator Series	7	\$12,131	50%	\$6,066
Operator Series	11	\$18,785	50%	\$9,393
Operator Series	4	\$6,932	50%	\$3,466
Operator Series	20	\$33,748	50%	\$16,874
Operator Series	13	\$21,936	50%	\$10,968
<i>Subtotal</i>		\$228,250	50%	\$114,125
<i>Less Overtime Backfill Costs (Per Mainsaver)</i>		<i>-\$41,174</i>		<i>-\$41,174</i>
<b>Operator Series Subtotal</b>				<b>\$93,538</b>
<i>Minus correction for computational error in Operator Series Subtotal*</i>				<i>-20,587</i>

\*A computational error was discovered in the West Operator Series. The error, \$20,587, resulted in an overstatement of the ratepayers' and employees' shares of the Incentive Fund. The amount overstated for the employees' share, about \$9,436, will be remedied by transferring equivalent funds from the existing Incentive Fund balance.

Appendix 4: Savings Resulting from Employee Actions

Section	Action	Expense Savings	Labor Savings	Total Savings
AM	H <sub>2</sub> S Inspection	\$0	\$33,882	\$33,882
AM	One-Call Program	\$0	\$25,953	\$25,953
AM	Hazardous Materials Program	\$15,160	\$0	\$15,160
AM	Roofing Inspection Program	\$1,302	\$0	\$1,302
East	Modified Hypochlorite Disinfection System	\$148,785	\$0	\$148,785
East	Dissolved Air Flotation Thickness (DAFT) Poly	\$50,552	\$0	\$50,552
East	Valve Strategy	\$27,260	\$0	\$27,260
East	Dewatering Team Production/Hauling/ Application Project	\$14,383	\$3,500	\$17,883
East	Vashon Sludge Haul	\$0	\$17,681	\$17,681
East	Mixed Liquor and RAS Sampling	\$1,883	\$15,150	\$17,033
East	Peaking Pump Display	\$12,000	\$0	\$12,000
East	Lab Overtime	\$9,922	\$0	\$9,922
East	DAFT Poly Flow/No-Flow Switches	\$8,919	\$576	\$9,495
East	Dissolved Oxygen (DO) Probes	\$6,961	\$2,083	\$9,044
East	Boot Replacement	\$8,400	\$0	\$8,400
East	Sampler Refrigerator Replacement	\$7,692	\$0	\$7,692
East	Switch from Macro COD to Micro HACH Method.	\$0	\$5,775	\$5,775
East	Secondary SED Tank Plugs	\$0	\$2,227	\$2,227
East	Pump Repair with Encrete	\$0	\$1,799	\$1,799
East	Lubricant Electricity	\$1,726	\$0	\$1,726
East	PSE Bill Consolidation	\$0	\$1,300	\$1,300
East	Weed Cloth at Beulah Cove Biofilter	\$0	\$1,218	\$1,218
East	Pump Removal	\$0	\$576	\$576
East	Recycled Round-Up	\$500		\$500
East	Wood Recycling (chipper)	\$50	\$400	\$450
East	Scale Calibration Elimination	\$0	\$448	\$448
East	Truck Scale Printer Time Changes	\$0	\$180	\$180
F & A	Copy Paper Purchases	\$3,680	\$0	\$3,680
F & A	Time Sheet Scanning	\$1,383	\$0	\$1,383
Lab	Fuel Savings	\$758	\$0	\$758
P & C	Grit Savings	\$198,263	\$0	\$198,263
West	Mixed Liquor Blower	\$36,042	\$0	\$36,042
West	Sludge Cross-Collector Removal	\$13,698	\$15,302	\$28,999
West	Lighting Controls	\$22,344	\$0	\$22,344
West	Thicken blended Sludge Tanker (TBST) Mixer Removal	\$10,280	\$5,123	\$15,403
West	Valve Replacement	\$0	\$15,007	\$15,007
West	Chlorine Valve Rebuild	\$11,470		\$11,470
West	Work Site Location	\$0	\$11,149	\$11,149
West	Thickening Polymer Price Reduction	\$6,600	\$0	\$6,600
West	Replaced Leaking Pipe With Salvaged Pipe	\$4,550	\$0	\$4,550
West	Waste Oil Recycling	1,102	\$0	\$1,102
West	Recycling and Disposal of Used Thinner and Paint	\$740	\$0	\$740
West	Metal Recycling	\$321	\$0	\$321
West	Recycle Pallets	\$311	\$0	\$311
<b>Incentive Fund Committee Approved Total</b>		<b>\$627,037</b>	<b>\$159,329</b>	<b>\$786,365</b>

**Expense Savings:** Materials, supplies, energy, chemicals, overtime, contracting, etc. Directly contributes to Incentive Fund.

**Labor Savings:** Value of time freed up for additional work through more efficient work practices. Does not directly contribute to Incentive Fund.

**AM=Asset Management • F & A=Finance & Administration • Lab=Environmental Lab • P & C=Planning & Compliance**

## Appendix 5: Technical Review Committee Recommendations to Productivity Initiative Adjustments

ANNUAL UNADJUSTED BUDGET TARGET	TRC Recommendation	Management Recommendation
<i>NOTE: These items were originally identified as separate line items in the makeup of the unadjusted target, from which adjustments were made in the C-7 worksheet ("plus or minus") as to whether the original amount was met, exceeded, or fell short of the original.</i>		
<b>Productivity Investments</b> Monies spent for training and other investments in productivity.	Add "productivity investments" costs as adjustments to target.	Approved
<b>New Work</b> Additional operating costs added as a result of work WTD was directed to add since 2000.	Add "new work" costs as adjustments to target.	Approved
<b>Fleet/Telecom Overhead Charges</b> Operating costs charged by county to provide Fleet and Telecom services over and above actual costs	Add "fleet/telecom overhead" costs as adjustments to target.	Approved
ANNUAL CPI & COLA ADJUSTMENTS	TRC Recommendation	Management Recommendation
<i>NOTE: Adjustments for actual increases due to CPI (Consumer Price Index) and COLA (Cost of Living Adjustment) have been based on a fixed split between CPI (non-labor) and COLA (labor) of 47 percent and 53 percent, respectively.</i>		
Annual adjustments to salaries for cost-of-living adjustments (COLA) and to all other <b>Non-labor</b> -related expenses for changes in the consumer price index (CPI)	The TRC recommends that the CPI and COLA adjustments be based on the actual percentage split each year.	Approved
LOAD ADJUSTMENTS	TRC Recommendation	Management Recommendation
<b>Electricity</b> Adjustments for electricity have been based on RCEs for both the treatment plants and offsite facilities.	Use Residential Customer Equivalents (RCEs) as a basis for calculating load for West Point and South plants.  Use actual flow for calculating electrical usage by West and East offsite facilities. <i>Formula needs to be developed.</i>	Approved
<b>Polymer costs</b>	Establish a new baseline for calculating dewatering polymer at South Plant, based on changes in technology since 2000.	Under consideration

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ODOR	TRC Recommendation	Management Recommendation
<p><i>NOTE: The original line item for adjustment to the target was set up for just the treatment plants. An adjustment was then made to the target for anything over or under that amount. In 2004, new odor control programs were initiated by the Council for an increase in prechlorination and odor control policy. These set amounts were used to increase the 2004 target, as good tracking practices were not in place to accurately account for costs.</i></p>		
Account for all costs for odor control added since 2000 as "new work."	No change to current practice.	NA
ANNUAL TARGET	TRC Recommendation	Management Recommendation
<p><b>Productivity target "band" or range</b> Use a specified percentage (i.e., 1%, 2%, etc.) to create a "band" or range that would serve as the target, rather than a single number. Payouts would not occur until the high end of the range had been achieved, nor would the program be penalized for not meeting the target provided it met the lower end of the range.</p>	On hold.	Recommend that TRC members make sure their constituents understand the implications of this.
FENCELINE ADJUSTMENTS	TRC Recommendation	Management Recommendation
<p><i>NOTE: A category was established for "fenceline" adjustments (adjustments for costs not considered within the program's control) in the original C-7 adjustment document.</i></p>		
C-7 includes a category for "Fenceline Adjustments" that is intended to capture all adjustments for costs not considered within the program's control.	Divide this category into more specific lines, including "Annual Pre-approved Adjustments," "New Work," and "Anticipated Adjustments."	Approved
REVENUE	TRC Recommendation	Management Recommendation
Account for revenue from fees for treating septage, industrial waste, biosolids and electricity from cogeneration.	Staff will revisit this issue and prepare a recommendation.	Look at treating revenues as a private business would.
LABOR	TRC Recommendation	Management Recommendation
<p><b>Labor cost adjustments</b> Adjust for increased labor costs as a result of union contract negotiations.</p>	<p>Consider four options:</p> <ol style="list-style-type: none"> <li>1. Not change anything, but explain to employees better why labor isn't adjusted like other contracts.</li> <li>2. Adjust for actual merit and labor contract costs because these are not fully under the control of WTD management.</li> <li>3. Make a fixed adjustment in addition to COLA to represent the change in labor costs. 2.4 % is recommended but this is an arbitrary number.</li> <li>4. Take a bandwidth approach. The target is not adjusted in this scenario, so payouts won't be made because of an adjustment in labor cost. At the same time, the target won't be considered as exceeded until it rises above actual increases in labor costs for the year.</li> </ol>	No change

## Acknowledgments

### 2006-2007 Incentive Fund Committee

#### Members

- Al Brooks, Local 117 (2007)
- Rick Butler, Local 117 (2007)
- Brian Duncan, TEA
- Kat Hallberg, Local 925 (2006)
- Kevin Kennedy, Local 925 (2007)
- Jim Pitts, Management Team
- Lorraine Patterson, Management Team
- Edie Lackland, Local 117 (2006)
- Jim Laremore, Local 925
- Leon Maday, TEA
- John McMillin, Local 925 (2007)
- Richard Meeks, Local 17
- Mark Lucas, TEA
- Peggy Rice, WSCCCE Council 2 Local 1652R
- Jean Robb, Local 117 (2006)
- Curtis Steinke, Local 925
- Diane McElhany, Nonreps At-Large

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- Brent Bills, Finance Section
- Cynthia Hickey, Facilitator/Director's Office
- Susan Lowe, Communications

### 2006-2007 Management Team

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- Tim Aratani, Finance & Administration Manager
- Greg Bush, Planning and Compliance Section Manager
- Pam Elardo, Acting Asset Management Section Manager (2007)
- Mike Fischer, East Section Manager
- Jack Irby, Asset Management Section Manager (2006)
- Kathy Loland, Acting Major CIP Section Manager (2007)
- Elizabeth Milestone, Acting Human Resources Manager (2007)
- Gail Ohashi, Human Resources Manager (2006)
- Lorraine Patterson, Assistant Division Director
- Jim Pitts, West Section Manager
- Gunars Sreibers, Acting Brightwater Facilities Manager (2007)
- Don Theiler, Division Director (2006)
- Christie True, Major CIP Section Manager (2006)/ Division Director (2007)

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- Robert Tovar, Director's Office

### 2006-2007 Technical Review Committee

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- Peggy Leonard, TEA (2006)
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