

**Department of Natural Resources  
Wastewater Treatment Division  
Wastewater Program  
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# **Productivity Initiative Pilot Program Plan**

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# Pilot Program Plan for the Productivity Initiative

## Part One — Executive Summary

### The Productivity Initiative

The Productivity Initiative is a program for the King County Wastewater Program (WWP) to more efficiently manage and operate the wastewater utility, meet its key customer and regulatory commitments, and reduce costs. Implementing the Pilot Program Plan for the Productivity Initiative will:

- Use private sector management and operational techniques to reduce costs, increase efficiency, and improve the services of the WWP.
- Increase accountability and define how the WWP uses public wastewater rate funds.
- Allow for additional opportunities for labor and management to work together.
- Create an incentive program for employees to make process improvements and increase efficiencies.
- Demonstrate King County's willingness to respond to increasing public demand for government services to be delivered as cost-effectively as possible.

### The Vision

***Productivity Initiative Five-Year Vision:*** Be the best public wastewater program in the nation—a balanced combination of the best service, best employer, best employees, and cost effectiveness.

***Productivity Initiative 10-Year Vision:*** Be competitive with the best of the private service providers.

The Productivity Initiative poses this question: *Would ratepayers benefit from a public utility that was operated more like a private business?* WWP employees and management believe that the answer to this question is "yes," and have developed this Pilot Program Plan to demonstrate how WWP is proposing to deliver those benefits to the public.

### Pilot Program Goals

The Pilot Program is a plan to apply business practices to the WWP using tools and measurements developed during 2000. It represents a commitment by the Executive to "pilot" some aspects of a private-sector approach to management of the WWP, learn from the experience, and apply it to other County functions. The

Pilot Program is built upon the wastewater program business plans developed as part of the Productivity Initiative and will:

- Demonstrate how private sector models may improve management of a public sector utility, and provide "lessons learned" that can be applied to other County functions over time.
- Help the WWP improve cost efficiencies, identify expenditures and major cost centers, and allow the WWP to respond to any future proposals to privatize the utility.
- Provide savings to the public by minimizing increases in the wastewater rate while also meeting growth demands outlined in the Regional Wastewater Services Plan.
- Clearly outline where the WWP is accountable for costs, define target budgets, and hold management accountable for meeting the targets.
- Allow employees to meet senior management's challenge to become recognized as the best publicly run wastewater utility in the nation in five years and be competitive with a privately run utility in 10.

## **Applying Private Sector Techniques**

The overall mandate of the Pilot Program is to demonstrate what can be accomplished when flexibility is given to use the best business techniques, employee involvement, and performance incentives. Minimum expectations are that the WWP will continue to produce quality products and deliver a high level of service at a cost comparable to the private sector. The program will vest employees by sharing the results (both positive and negative) of applying private sector practices, and by fully utilizing the efforts, skills, knowledge, and flexibility of workers employed by the utility.

Initially, the WWP focused on a joint labor/management business planning process. This planning effort identified five key areas within WWP's direct control—wastewater treatment, conveyance, administration, capital systems, and laboratories. Five technical business plans were prepared by teams of management, employees, and supervisory staff, and included specific strategies that outlined estimated costs savings, time frames, and persons accountable for action. This planning effort does not take the place of existing collective bargaining agreements, but rather creates an opportunity for labor and management to join forces, develop plan execution strategies designed to emphasize continuous improvement, and link results to the work force.

This Pilot Program Plan envisions a good-faith work efforts on service agreements with support agencies. Should the WWP and support agencies be unable to negotiate such consistent agreements, the WWP would pursue

opportunities to self-perform these services, where appropriate, with an agreed-upon commensurate reduction in charges to the WWP.

The Pilot Program also encourages adopting employee ownership philosophies in the WWP's operating model that reflect private industry. Subsequently, strategies may include the expansion of services provided by WWP employees, such as services that have historically been contracted to outside firms. Expanding services would have to demonstrate a positive impact on the cost of doing business before being implemented.

# **Pilot Program Plan for the Productivity Initiative**

## **Part Two—Wastewater Program Drivers**

Local, regional, and national trends all provide key drivers for undertaking the Productivity Initiative and preparing the Pilot Program Plan. The purpose of defining these major factors that influence the scope of the WWP is to establish 2000 as the benchmark year against which to measure future budget savings.

In general, regulatory requirements and future expansion needs of the regional system all drive the scope of the WWP. The Productivity Initiative focuses on developing a business plan so that the work can be done more efficiently. National trends and general public expectations also play a role in the development of the Productivity Initiative and will influence the Pilot Program. These factors, and how the WWP will measure success of the Productivity Initiative, are outlined in Part Two.

### **Scope of the Wastewater Program**

The WWP, part of the King County Department of Natural Resources, provides wholesale wastewater transport, treatment, and disposal service to 17 cities and 18 local sewer and water districts (component agencies). The County owns and operates the major sewer interceptors and pump stations that carry wastewater to its treatment plants. Component agencies individually own, operate, and maintain the pipelines and other conveyance facilities that carry wastewater to the interceptors.

Most of the WWP is located within the Wastewater Treatment Division, which includes these sections:

- Capital Improvement Program
- West Operations
- Planning and System Development
- Maintenance
- Finance and Administrative Services
- South Operations
- Technology Assessment and Resource Recovery
- Division Manager's Office

The WWP also includes two sections of the Water and Land Resources Division (WLRD)—the Environmental Laboratory and the Industrial Waste Program.

Appendix B generally describes the WWP's services, assets, and service area. Detailed descriptions of the scope of its services are provided in the individual business plans that employees and management prepared in November 2000 for

five functional areas of the Wastewater Program (wastewater treatment, conveyance, laboratories, capital facilities, and administrative services). Budget estimates and future savings estimates are based on the existing scope of services. Changes to the scope, such as expansion of the existing service area, would require an amendment to the future estimated budget targets included in this Pilot Program Plan.

The facilities, physical assets, and service area boundaries that influence WWP's costs are described in Appendix B. Other notable factors that serve as a baseline for WWP's costs include the biosolids program, employee salaries and benefits, regulatory requirements imposed by state and federal agencies, and policies adopted by King County. The baseline description of current conditions is provided in Appendices C, D, and E of this Pilot Program Plan.

## **Trends and Public Perception**

Ratepayers reasonably expect government utilities to deliver services more like service providers in the private sector where many functions are not specific to the general governmental role of regulatory control. Public utilities are increasingly being challenged by public demand for lower cost and higher performance. This trend has motivated a basic reassessment of how the public sector provides services and a focus on reinventing and reengineering public sector service delivery.

Nationally some public utilities are turning to the private sector to run the operations and maintenance component of their wastewater treatment plants and conveyance systems. The number of private operating and maintenance contracts for water and wastewater services increased from about 150 in the late 1980s to almost 1,000 in 1997. A review of the literature indicates about 90 utilities have recently privatized at least a portion of their wastewater operations.

In some cases, existing management systems were inefficient and privatization was the best option for the ratepayer. Privatization may lead to immediate cost savings for the public while the scope of services, maintenance levels, and permit requirements are adjusted at the expense of longer term environmental and public policy objectives. For example, a private-sector firm's costs may be lower in the area of odor control that is not legally required, with the firm choosing to assume the risk of future legal action. However, the Productivity Initiative demonstrated that King County's wastewater employees know the system and operations better than any privately run operation and can achieve cost efficiencies while delivering high quality public service.

## **The Balanced Scorecard**

Historically, public utilities focused their measurement system and associated strategies on regulatory compliance and customer service. Most recently

privatization and other factors, such as the public's demand for more accountable government, have shifted the primary focus to measuring costs and financial impact. The Balanced Scorecard defines the organization's future success by setting objectives and measuring performance from four distinct perspectives which are key drivers for WWP.

1. The *People Management* (Learning and Growth) perspective directs attention to the basis of all future success —the organization's people and those systems and management practices that impact employee growth and satisfaction. A sound investment in these areas is critical to long-term success. WWP's adopted People Management performance indicators are:
  - *Employee satisfaction*
  - *Employee retention*
  - *Employee development*
2. The *Key Internal Processes* perspective focuses on the performance of core internal processes that drive the organization. Immediate and continuous improvement in key internal processes is a critical lead indicator of financial success in the future. WWP's adopted Internal Process performance indicators are:
  - *Regulatory compliance*
  - *Safety*
  - *Infrastructure management*
  - *Innovative strategies*
3. To convert key internal processes into financial success, public utilities must also meet their customers' and stakeholders' expectations. The *Customer Focus* perspective considers the organization through the eyes of the customer, so that the organization retains a careful focus on customer needs and satisfaction. WWP's adopted Customer Focus performance indicators are:
  - *Customer and stakeholder satisfaction*
  - *Environmental excellence (measurements not defined yet)*
4. Finally, the *Financial* perspective measures the ultimate financial results that the organization provides to its customers and stakeholders. WWP's adopted Financial performance indicators are:
  - *Rate stability for WWP portion of the budget*
  - *Budget variance*
  - *Debt service coverage*
  - *Cost per million gallons per day of wastewater treated*

The Balanced Scorecard integrates critical performance measures into a few manageable metrics so that management has the necessary data to quickly assess the health of the organization on four critical fronts. For the past seven

years, many companies have used the Balanced Scorecard to align objectives with the long-term strategy and mission of the organization.

A performance measurement system such as the Balanced Scorecard allows a public utility to align its activities with a strategic plan, which results in operational and financial efficiencies. It permits real deployment and implementation of strategy on a continuous basis. With it, a utility can get feedback needed to guide the planning efforts. Details on the adopted performance indicators and measurements are located in Part Four—Outcomes of Change.

# Pilot Program Plan for the Productivity Initiative

## Part Three — Wastewater Program Process for Change

The WWP performed a complete assessment of the organization before developing the Pilot Program Plan. A consultant was brought on board to help review the organization, develop a strategy, and craft an approach to the Pilot Program Plan. Part Three briefly outlines that process.

### Organizational Assessment

The consultant's first tasks were to conduct an organizational assessment, evaluate the data available, determine opportunities for organizational change, and identify significant issues. The consultant's full report, entitled *Phase I: Planning for Productivity* was issued in January 2000. The following is a summary of the consultant's initial findings:

- A great deal of valuable data is available to the WWP through the Multi-Agency Benchmarking Study (an ongoing benchmarking effort with other West Coast wastewater utilities).
- The WWP has an unusually high skill level among the trades in operations and maintenance. This is not the case in some utilities. The quality of staff throughout the organization, especially in operations and maintenance, should be recognized.
- The WWP has a long record of undertaking organizational change projects, in some cases dating back 20 years. However, WWP management also has a poor track record for implementing recommendations for change.
- Past organizational efforts have tended to focus on operations and maintenance, generating cynicism, aggravation, and resentment among the work force about new initiatives from "downtown."
- Staff expressed a high level of frustration with the perceived level of service from King County support agencies.
- While staff takes great pride in what they do, they also express a lack of ownership for outcomes that affect the entire WWP.
- Specific expectations are not made clear to staff and work units.

The WWP worked with the consultant to identify a program-wide approach that could, when implemented over time, begin to address these problems. The following strategy was developed to begin exploring how process improvements could be identified and implemented.

***Use a balanced approach to organization change.*** The WWP should develop an approach to organizational change that does not focus solely on financial targets. Staff and management need to understand that WWP places

equal value on sustaining and improving key treatment plant processes, measuring financial performance, investing in staff resources, and maintaining customer satisfaction. The Balanced Scorecard was developed to ensure that each of these four quadrants is considered in decision making.

***Clearly define scope and costs.*** One key element of the Productivity Initiative, and the fundamental purpose of the Pilot Program, is to define the WWP's scope of services, anticipate work to be accomplished, and allocate costs. Negotiating intergovernmental service agreements between the WWP and King County support agencies is critical to achieving a clear definition of WWP's scope and costs.

***Link rewards and security to performance.*** Once WWP's targets are in place, employees should be rewarded for performance that exceeds those targets. Identifying those targets is part of the WWP's business planning effort.

### **Productivity Steering Team**

The Productivity Initiative needed to have a way for employees to participate directly in developing the strategies and plans for how to improve the organization. A Productivity Steering Team (PST) was created with members elected by staff to provide guidance and an avenue for reflecting employee comments and attitudes about the Initiative. The current PST members are chartered to serve an 18-month term (February 2000 to July 2001).

The PST consists of 17 representatives from management, staff, and labor. This includes nonsupervisory employees (one representative from each of the following: West Point Operations; South Plant Operations; Maintenance; Capital Improvement Program; Technology Assessment and Resource Recovery; Finance and Administrative Services; Planning and System Development; and Water and Land Resources Division's Environmental Laboratory and Industrial Waste Pretreatment Program). It also includes three supervisory employees from West Operations, South Operations, Maintenance, and the Capital Improvement Program, and one from the remaining WWP. Each of the three recognized labor unions is represented on the PST, as well as one unrepresented employee and two representatives of the WWP Management Team.

In general, the PST:

- Provides a mechanism for involving WWP employees in the Productivity Initiative.
- Integrates the existing management and work group structure into the Productivity Initiative.
- Develops recommendations for long-range planning and implementation measures.
- Reports to the WWP managers in WTD and WLRD.

- Communicates with the groups they represent in the organization.

The PST was instrumental in pulling together ideas for consideration in the business planning efforts, participating on the business planning teams, communicating progress (or lack thereof) to employees, and developing parameters for the Balanced Scorecard.

Other avenues for staff involvement and communication included holding "all hands" and individual group meetings, establishing a Hot Line, and publishing a regular newsletter. The PST, however, was identified as the primary channel for communicating guidance to management and facilitating employee feedback about progress of the Productivity Initiative.

### **Identification of Wastewater Program Business Lines**

The WWP's core business is to transport, treat, and dispose wastewater and its byproducts. Business lines were established to begin defining the program's scope of services and costs for which direct responsibility and accountability could be established. Those business lines are:

- **Operations.** Operate safe and reliable conveyance and treatment facilities.
- **Maintenance.** Maintain the equipment to ensure that it is safe and reliable.
- **Capital Program.** Improve, upgrade, and replace facilities for safe and reliable operations.
- **Combined Sewer Overflow.** Add capacity to meet legal permit requirements of regulators.
- **Regional Wastewater Services Plan.** Add capacity to meet projected growth.
- **Inflow and Infiltration.** Identify and reduce sources of inflow and infiltration.
- **Resource Recovery.** Reclaim and apply waste products into reusable resources.

In support of these core functions are Industrial Waste, NPDES compliance, environmental planning, Environmental Lab, marine monitoring, and administration. Analyzing business lines provided the focus needed to define areas in the budget under direct control of the WWP and identify where the WWP could develop strategies to reduce costs.

### **Estimating Future Budget Targets**

Initial target savings identified by the consultant was 20 percent of the WWP operating costs. The WWP management was challenged to develop strategies to reduce costs by 20 percent over the next five years. This target was not based on a review of the WWP itself, but on the consultant's assessment of the cost savings a private sector firm would typically assert it could achieve by privatizing the operation. The consultant's assessment was used in the business planning process as a target to test whether a 20-percent reduction for WWP would be

achievable, and at what cost to WWP's customers, neighbors, employees, and King County government.

The strategies outlined in detail in the five business plans for the WWP underwent rigorous review to determine the likelihood of attaining the initial 20-percent target reduction over five years. The consultant determined that the WWP business plan strategies are reasonable, that the program already operates more efficiently than a typical wastewater utility, and has achieved cost efficiencies through the Gainsharing program and other efficiency efforts. Findings of the consultant specific to each of the five business plans and their strategies were documented in a report presented to the PST and WWP management team in December 2000. After significant evaluation of the strategies, and taking into consideration the parts of the budget over which the WWP has no control, the initial reduction target was revised. The PST, WTD Management Team, and consultants determined that a target reduction of about 12 percent for the operating budget over the next five years was a solid business planning target for the WWP.

### **Business Planning Along Functional Lines**

For the purposes of business planning, WWP was divided into five key functional areas: wastewater treatment, conveyance, administration, capital systems, and laboratories. Teams of staff and management developed specific action steps to reduce costs over the next five years. Each of the five teams produced plans over a four-month period, including a description of the functional area, a mission statement, and a work plan. The work plans identified objectives, the person(s) responsible for taking actions, strategies, and a description of how success (or failure) could be measured. Each of the strategies was categorized by the target date for implementation: immediately, 2005, or 2010. In some cases, issues were identified that required more strategic development before identifying a specific time frame for implementation.

These five business plans were accepted by the WWP in November 2000. They describe the full scope of the WWP and include the most complete set of strategies to consider pursuing. The five business plans will be consolidated into one overall strategy for the WWP by June 2001 (see Part Four for a description). The consolidated effort will be used to track compliance with commitments made for investing in change and ensuring that efficiencies are forthcoming.

# Pilot Program Plan for the Productivity Initiative

## Part Four—Outcomes of Change

Part Four describes the goals, vision, and guiding principles for the Productivity Initiative. The outcome of the Productivity Initiative is a commitment to high quality service within reasonable budget constraints while not sacrificing commitments to employees and customers.

Part Four also describes the specific commitments of the WWP and the support King County government will provide to help meet the desired outcome. One outcome described here is a set of goals for future budget targets. Should these goals be attained beyond those budget targets, one-half of any permanent savings would be set aside for a Productivity Incentive Fund and the other half would be returned to the wastewater fund. Financial targets are not the only measurement of success in this plan; the goals established for the Balanced Scorecard to date are also provided.

### Goals, Vision, and Guiding Principles

In May 1999, an interim committee made up of employees representing 16 different work groups within the program defined the Productivity Initiative's goals, vision, and guiding principles. The Productivity Steering Team adopted the goals, vision, and guiding principles as the program's policy statement in early 2000. The policy statement has provided staff direction for developing the program elements.

The **Goal** of the Productivity Initiative is:

*"To become recognized as the most efficient and productive publicly owned wastewater utility in the country by 2005, and to be competitive with any privately operated wastewater utility by 2010."*

The **Five-Year Vision** for the Productivity Initiative is:

- **Productivity.** We are nationally recognized for our productivity and actively share our experience with others in our industry.
- **Quality.** We maintain and improve treatment, effluent, and biosolids quality. We have no violations and no unpermitted overflows or bypasses.
- **Efficiency.** We hold the portion of the sewer rate dedicated to ongoing operations to less than or equal to current levels (after adjusting for inflation). We use the most efficient contracting techniques and management systems to minimize capital improvement costs. We continually improve the way we use resources and eliminate barriers to efficiency.
- **Safety.** We operate the safest wastewater treatment system in the nation.

- **Collaboration.** We work efficiently across all functional areas in the division and department. We have excellent support systems, and work collaboratively with support services from other King County departments.
- **Clarity of purpose.** We have clearly established our goals and how to achieve them. We are clear about roles and responsibilities to achieve our goals.
- **Customer service.** Customers value the service we provide. We are responsive to customer concerns and needs.
- **Work place.** Business teams have clear work plans and are actively pursuing those plans. Staff is knowledgeable about the “big picture” and our customers’ interests. Creativity is encouraged. Turnover is minimal. Management works collaboratively with unions and nonrepresented employees.
- **Employee satisfaction.** We have a high level of employee involvement in all areas of our operation. Employees feel they are doing productive work and are rewarded and recognized. Employees take pride and ownership in a job well done. Everyone is heard and no one fears retribution for speaking openly.

These **Guiding Principles** provide direction for our actions in striving for the goal and achieving this vision:

- Accept no compromises in our commitment to protect the environment.
- Recognize that job responsibilities may change and provide necessary training so there are no involuntary layoffs.
- Identify two-way communication as essential.
- Promote humor and have fun.
- Listen and respond to one another and our customers with respect, focusing on business and not personality.
- Speak out without fear of retribution.
- Clearly define roles and responsibilities.
- Integrate all parts of the wastewater treatment program into the whole.
- Involve stakeholders and staff in decisions that will affect them.
- Clearly define areas that are not included in the Productivity Initiative's scope.
- Identify and track services that are not core wastewater business activities.
- Establish measurable and independently verifiable goals.
- Seek partnerships with groups affected by our actions.
- Establish a good working relationship with the Executive’s Office and the County Council on the Productivity Initiative.
- Be willing to take risks and think differently.
- Be willing to admit mistakes and change course if needed.
- Practice continuous process improvement.
- Build on existing strengths within the organization.

- Look for and make ongoing productivity improvements.
- Seek early successes in Productivity Initiative activities.
- Uphold commitment to safety without compromise.
- Exercise patience; recognize that improving productivity will take time and effort.
- Ensure management is visibly committed to the productivity project.
- Share savings with employees and ratepayers.
- Respect union agreements.
- Celebrate our successes.

## **The Wastewater Program Objectives**

The WWP proposes to meet three types of objectives described in this section to reach the goals of the Productivity Initiative—commitments, future budget targets, and establishing a Productivity Incentive Fund. A description of 16 specific commitments follows, which should be viewed as a statement to continue providing high-quality regional wastewater services. The second part of the program objectives in this Pilot Program is to hold the WWP accountable for costs over which it has direct control. The ability to meet proposed future budget targets has both positive and negative consequences to the WWP in meeting the third objective—establishing an incentive fund.

## **Commitments and Performance Guarantees**

The WWP will:

1. Operate in compliance with all applicable state and federal laws, regulatory requirements, and permits.
2. Comply with applicable County policy directives and ordinances, except as modified by changes the County Council in future implementing ordinances for the Pilot Program.
3. Comply with all applicable labor agreements and treat represented and nonrepresented employees equitably.
4. Operate and manage the regional wastewater system (referred to as "managed assets" and defined in Appendix A) on a 24-hour-per-day, 7-day-per-week basis. The WWP shall convey, receive and treat influent; discharge effluent and reclaim water consistent with facilities described in Appendix B; and transport and dispose of grit, screenings, and biosolids. Biosolids will be managed in accordance with Appendix C. The WWP will also continue to provide odor control and otherwise manage and operate the regional wastewater system in accordance with "good industry practice" (see definitions in Appendix A).

5. Use the capacity of the managed assets to their maximum reasonable extent to reduce effluent pollution discharged and control odor emitted from the regional wastewater system (i.e., managed assets). The WWP shall not intentionally reduce the level of wastewater treatment or odor control capable of being achieved by the wastewater system in an effort to reduce its operating and maintenance expenses.
6. Operate and maintain the regional wastewater system such that the following *Performance Guarantees* are met:
  - *Permit Effluent Standards.* The WWP guarantees it will achieve the effluent standards established in the NPDES permits for the South Treatment Plant, West Point Treatment Plant, Carkeek Combined Sewer Overflow Treatment Plant, and Alki Wet Weather Treatment Plant. In the case of the Vashon Treatment Plant, the WWP will operate and maintain the plant to the best of its ability; however, no Performance Guarantees are provided until capital improvements are completed by the WWP (estimated date: 2005). The West Point and South Treatment Plants treat wastewater to meet NPDES permit effluent standards:
    - Weekly Average Suspended Solids: 45mg/l
    - Monthly Average Suspended Solids: 30 mg/l
    - Weekly Average BOD: 45 mg/l
    - Monthly Average BOD: 30 mg/l
    - Weekly Geometric Mean Fecal Coliform: 400 colonies/100 mls
    - Monthly Geometric Mean Fecal Coliform: 200 colonies/100 mls

The WWP will pay 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) from the operating budget. 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 is a direct result of an uncontrollable circumstance.

- *Performance Nondegradation Guarantee.* The WWP 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 WWP 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 WWP guarantees that maintaining the safety of WWP employees will remain a primary concern in how it conducts its business. The WWP 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 WWP will forfeit five percent from any contribution to the Productivity Incentive Fund.
7. Maintain the managed assets in good working order, condition, and repair, in a neat and orderly condition, and maintain the aesthetic quality of the managed assets as originally constructed. The WWP shall also conduct predictive, preventive, and corrective maintenance of the managed assets in accordance with good industry practice.
  8. Construct and operate the capital improvements listed in Appendix F (Planned System Improvements), allowing for each facility to be reevaluated in design stages with efforts made to combine and/or optimize projects to achieve the same result.
  9. Meet the system expansion needs as projected in the adopted Regional Wastewater Services Plan using the regional growth assumptions therein, allowing for updated growth assumptions that may delay beyond the timeframe of this Pilot Program or advance individual projects to construction sooner than planned.
  10. Meet the current CSO compliance schedule, as defined in King County Ordinance 13680, Section 18.
  11. Operate the pretreatment program to assure compliance with federal pretreatment regulations, categorical standards, and state regulations as required by the NPDES permit for the West Point Treatment Plant.
  12. Undertake no substantial modifications to the pretreatment program that result in either significant increase in pollutant loading at the treatment plants or less stringent discharge requirements being imposed on industrial users. The WWP may make modifications, including reductions in resources devoted to pretreatment, if approved by Ecology, according to procedures in 40 CFR part 403.18.

13. Operate the industrial cost recovery program in accordance with King County Code 28.84.060 M.
14. Perform and provide all sampling, laboratory testing and analyses, quality assurance and quality control procedures, and programs required by applicable law (see definitions in Appendix A for description of applicable law). The WWP shall also operate the laboratories to meet a certain standard of reliability for test results to ensure that they maintain accreditation with Ecology. The laboratories will also continue to provide data of known quality and reliability for programmatic policy decisions in the King County Department of Natural Resources.
15. Work with the King County Executive and County Council to make changes to this Pilot Program in the event of "uncontrollable circumstances" or upon the need for changes in the scope of services provided.
16. Work in good faith with support services agencies toward mutual agreement of a service agreement to define the scope and cost of services. In some cases, cost reductions in staffing are anticipated due to increased service levels.

### **Future Budget Targets**

The WWP intends to perform the services that it directly controls for a fixed cost. The fixed cost is based on expenditures approved for the 2000 budget. The 2000 budget for the Wastewater Treatment Division is \$80.2 million. Costs directly attributable to the WWP are estimated at \$60.76 million, or about 76 percent of the total budget. The remaining budget is comprised of funds for support services such as Fleet Administration, other CX overhead charges (14 percent), and other policy-driven costs (10 percent, such as for Culver funds).

A critical objective of this Plan is that the WWP perform its services without exceeding the adjusted annual guaranteed costs defined in Appendix G. Assumptions (such as estimates for operations and maintenance of future facilities over the next 10 years) are factored into the adjusted annual guaranteed costs. The budget targets in Appendix G are based upon 2000 budget conditions and an assumed inflation rate of 3 percent.

Meeting estimated annual budget targets depends on the ability of the WWP to implement the business plans for wastewater treatment, conveyance, administration, capital systems, and laboratories. Consultants have affirmed that, in their opinion, the cost efficiencies outlined in the business plans are achievable, but will require internal changes as to how the program delivers services.

It is proposed that costs beyond the control of the WWP, but integral to how well the WWP performs, should be subject to an annual adjustment. Appendix G lists the assumptions and conditions that will form the basis for annual adjustments to the annual budget targets. Factors beyond the WWP's control that may result in adjustments to the estimated cost are:

- Influent quantity (as represented by residential customer equivalents)
- Septage quantity treated
- High-strength industrial waste quantity treated
- Chemical unit prices
- Electricity unit prices
- Changes to fiscal policy
- Inflation beyond the estimated 3 percent used to prepare budget targets
- Uncontrollable circumstances (as defined in Appendix A)

Some factors outside WWP's control may also affect meeting annual budget targets and therefore require amendment. Changes to the scope of services could be reviewed annually as adjustments are made to the estimated costs and performance guarantees. Other factors include changes in assumed applicable laws and policies (as defined in Appendix E), King County salary schedules and benefit packages beyond the scope of those agreed to by the WWP as part of labor contract negotiations (Appendix D), or other countywide personnel costs absorbed by the WWP (such as lawsuit settlements).

Any costs associated with the payment of fines shall be considered one of the costs included within the guaranteed cost, provided the fines are not a result of any "uncontrollable circumstances." Appendix A defines areas in which changes beyond WWP's control affect the ability to deliver quality service at the estimated costs. Examples include changes in laws, storm events beyond design capacity, illegal discharges, or the loss of power provided by another utility.

While the WWP should not be held accountable for its failure to meet the commitments outlined in this Plan due to uncontrollable circumstances, the WWP shall provide prompt notice if they do occur. The WWP will notify the Executive's Office and County Council as appropriate when circumstances outside WWP's control affect operations, estimated duration, or potential cost impacts, and make reasonable efforts to undertake efficiencies to reduce future costs.

### **Productivity Incentive Fund**

The WWP and labor representatives expect to perform wastewater services at a cost even lower than the annual budget target for the operating budget. Additional savings will be split between the ratepayers (as returned to the wastewater fund) and the Productivity Incentive Fund. As an incentive to achieve cost savings beyond those currently predicted, 50 percent of the difference

between the actual annual cost of service and the adjusted guaranteed cost shall be credited to the Fund.

Creating the Productivity Incentive Fund addresses two primary objectives. The first is to create a pool of money that can be drawn upon to fund over budget costs that are the responsibility of the WWP. If the WWP does not meet its annual adjusted budget target, the difference will be made up from funds taken out of the Productivity Incentive Fund. The second objective is to create an incentive for WWP employees to reduce costs below the annual budget target costs.

The Productivity Incentive Fund will be an account created to track the additional savings that result from actual costs lower than guaranteed cost. Contributions to the Fund shall be subject to an independent audit and will be as a result of actions taken by the WWP to incur savings. Under expenditure of contingency funds will not contribute to the Fund, nor should savings created by not taking appropriate actions that sustain the goals of the Productivity Initiative (such as preventative maintenance). The management and use of this fund will be governed in accordance with Appendix H.

An oversight committee will be responsible for how funds would be allocated to the Fund, subject to approval by the manager of the Wastewater Treatment Division. Membership will include representatives from Service Employees International Union, Local 6; Teamsters, Local 117; Washington State Council of County and City Employees, Council 2; WWP management and non represented employees. Representatives from the Office of the Executive and the Department of Finance would participate as ex-officio members. In addition to the minimum annual payouts to employees of 25 percent of the funds assigned, distribution of the funds may include:

- Investment in employees through training and other employee development programs
- Award and Recognition Program
- Reserve Fund (the basic premise is to use it as a "rainy day fund" that addresses possible shortfall in meeting budget targets)
- Other activities consistent with achieving the goals of the Productivity Pilot Program

To provide WWP with an incentive to implement capital-funded projects in ways that reduce the financial impact on ratepayers, a similar incentive fund should be established for the WWP capital program. A draft of ideas for the Capital Program Incentive Fund is included in Appendix I. The WWP intends to return to the County Council and propose such a fund in 2001.

## **The Role of King County Government**

King County government will play a very important role in helping the WWP achieve the goals, vision, and objectives outlined in this plan. The role of King County government is summarized as follows:

- 1 Maintain the WWP as a publicly operated utility for the duration of this Pilot Program Plan.
- 2 Implement all negotiated labor agreements between the affected labor unions and the WWP. Affected labor unions include Service Employees International Union Local 6, International Brotherhood of Teamsters Local 117, and the Washington State Council of County and City Employees Local 1652-R.
- 3 Support a strategy to reduce staffing through attrition and separation incentives (such as financial packages, benefits, and early retirement incentives) that could allow a staff person to retire earlier than is currently possible or provide financial incentive to voluntarily separate from WWP. Staff will be reduced to the extent possible while ensuring that the WWP is able to perform its services at the current or higher level. This Pilot Program Plan does not use involuntary layoffs to achieve staff reductions, but possibly use incentives to achieve voluntary reductions in force.
- 4 Support the WWP in efforts to compensate nonrepresented employees in a fair and equitable manner, consistent with represented employees in the WWP.
- 5 Work with the WWP on changes to the this Pilot Program Plan as appropriate and reasonable in the event of uncontrollable circumstances or upon the need for changes in scope of services.

### **Service Agreements with Support Services**

The WWP relies on other departments in King County government for support services. This Pilot Program Plan will use service agreements to clarify the scope of services, expectations, and costs. It is expected that County agencies work in good faith with the WWP toward mutual acceptance of a service agreement where the WWP relies on services. The service agreements, which have an objective of being completed in 2001, define the scope responsibilities of both parties, and cost of services received. In some cases, cost reductions in staffing are anticipated due to increased service levels. Departments for which service agreements are sought include:

- Department of Finance
- Fleet Division, Department of Transportation
- Office of Human Resources Management

- Information & Telecommunications Services, Department of Information Administrative Services
- Prosecuting Attorney's Office
- Director's Office, King County Department of Natural Resources
- Water and Land Resources Division, King County Department of Natural Resources

This Pilot Program Plan may be amended if good-faith work efforts do not result in service agreements consistent with Appendix J. Should the WWP and support agencies be unable to negotiate such consistent agreements, the WWP could pursue opportunities to self-perform these services, where appropriate, with an agreed-upon commensurate reduction in charges to the WWP.

### **King County Policy Changes**

Three specific policy changes are requested to implement this Pilot Program Plan. Proposed legislation in form of draft ordinances will be forwarded to the County Council after approval of the Pilot Program Plan. These policy changes are summarized below:

1. King County Council Ordinance 12224, Section 2, related to construction management practices, as adopted in April 1996. This ordinance requires a mandatory construction-management service contract with a private firm for all construction projects greater than \$10 million. To ensure that WWP employees have the greatest opportunity to reduce consultant and administration costs this work should remain in-house. This Plan requests that approval for the decision making on whether to retain a construction management firm be discretionary at the WWP management level.
2. King County Council Motion 10262, relating to the establishment of new compensation plan for employees of the executive branch of the newly consolidated government. The WWP requests exemption from section B.3, which states: "Classifications should be assigned to salary ranges so that compensation falls no more than five percent above or below the market average." Salary ranges should be set based on the WWP's ability to meet financial targets outlined in this plan.
3. King County Code 3.12.364—Gainsharing. Request a change to this section of the Code to allow non-represented employees to receive benefits of the Productivity Incentive Fund.

The WWP will work with other King County agencies to improve how some policies are administered. Two examples include:

- The "Design-Build" requirements in RCW 39.10 and 70.150 may allow for a more streamlined approval process with the Council and Executive. Possible

streamlining of this process will be pursued with the Prosecuting Attorney's Office as this Pilot Program is implemented.

- Further delegation of authority (as established in 3.12.330), from the Director of OHRM to the Wastewater Program Division Manager so the WWP could develop and administer a personnel system that would include an employment program and contract administration for the employees. The WWP employment program would be established in compliance with King County Charter, Title III of the King County Code, and other legal requirements. This delegation of authority would not diminish employee programs or benefits, but rather create efficiencies in the administration of internal business processes and allow us faster response to an evolving business environment. There would remain centralized OHRM authority for activities with county-wide impact such as compensation/classification plans, preferential referral programs, and overall labor policy. The WWO could assume responsibility for hiring, employee relations and the administration of labor contracts and personnel guidelines. Specific delegations of services would be outlined in the service agreement process. In the event that this delegation would require changes to Title 3, modifications to the ordinance would be proposed at a later time.

# Pilot Program Plan for the Productivity Initiative

## Part Five—Implementing the Pilot Program Plan

Implementation is the key to all planning efforts. Part Five describes some early implementation tasks for the WWP and an approach and plan to internally monitor the success of commitments made in the Pilot Program Plan. Like all plans, this one should be mutually reviewed by affected parties and amended as implementation takes place.

### Implementing the WWP Business Plan Strategies

#### WWP Business Plan

The five business plans developed for the functional areas of the WWP will be combined into one integrated business plan for the organization by June 2001. The five business teams created five different action plans. Although called business plans, the draft products completed in November 2000 became a list of actions (or "action plans"). Now, the WWP must resolve any overlaps, consolidate, and prioritize these actions with timeframes and identified people for implementation.

The following draft outline provides the framework for Wastewater Program Business Plan. This effort to consolidate the wastewater treatment, conveyance, administration, capital systems, and laboratories business plans requires significant oversight and involvement of the Productivity Steering Team (PST) and the WWP Management Team. An outline of the business plan includes:

#### ***Management Philosophy and Strategic Direction***

- Define role of the WWP Management Team in implementing the Business Plan, and the possible role of the PST for the future.
- Acknowledge the value of decisiveness and effective communication, and assess existing organizational barriers.
- Define the Balanced Scorecard as one tool for the Management Team to monitor wastewater program performance and make adjustments and proactively change the organization over time.
- Define shared interests and "merge" the operating and capital systems into one effort pulling for common goals, such as reduced life cycle costs, meet environmental standards, stable contribution to the rate, and well-run and efficient plants as measured by performance goals.
- Advise King County Executive and Council of Pilot Program activities and progress, and provide ongoing program monitoring.

#### ***Human Resources***

- Focus on people, including making training and morale investments in WWP staff. Recognize that people are our key resource.
- Define the commitment for long-term monitoring to ensure continuous process improvements that enable staff to meet high expectations, including using best industry practices and benchmarking.

### ***Organizational Structure***

- Define the functions of the WWP in terms of core and support activities, and reach agreement on key drivers for how we are to operate as a utility/business. Use 2001 to define an appropriate organizational structure.
- Develop principles for how we organize ourselves and define specific rules to be used within the organization to make future decisions.

### ***Technical Aspects***

- Use all the information from the existing "actions plans" and set priorities. To some extent, this prioritization of technical action steps was undertaken to develop the Pilot Program Plan future budget targets. The PST will provide key input in making a recommendation to the WTD management team on prioritizing actions.
- Categorize the full set of actions with a responsible person and timeframe for implementation (or reporting back to the WWP Management Team). Identify what actions the WWP can do right away; which require a significant change, but may be worth doing; which require a cost investment with an expected return; and which have potential, but need long-term development.

### **Just Do It!**

There are a number of strategies that yield cost savings and were agreed upon prior to development of a final business plan. WWP management has directed that staff begin implementing the identified "early wins." Regular check-in with the PST and Management Team is expected. For each of the five teams, the following early action items were identified and implementation has begun.

### ***Laboratories***

- Standardize procedures, optimize batch sizes, and evaluate outsourcing.
- Coordinate Environmental Lab with process labs.
- Implement environmental data management improvements.
- Establish joint contracts for supplies or services.

### ***Conveyance***

- Improve purchasing and inventory processes. Leverage spares across the system. Evaluate and address the consultant's recommendations
- Assemble a team with wastewater treatment staff to determine a staffing and training plan for how best to achieve targeted staff reduction by 2006.

### ***Wastewater Treatment***

- Complete high solids centrifuges at West Point Treatment Plant.
- Improve grit handling by recycling.
- Implement the energy management recommendations at the treatment plants.

### **Capital Program**

- Improve systemwide prioritization of capital improvements.
- Streamline delivery of “small” projects.
- Implement a strategic approach to individual projects.
- Consider alternative capital improvement project delivery methods.
- Improve Quality Assurance/Quality Control and Value Engineering.
- Review the newly revised Procurement Manual and coordinate a workshop with the PAO, procurement staff, and project managers and others interested in changes to the procurement process.

### **Administrative Services**

- Implement activity-based cost accounting
- Complete the review of accounts payable and receivable processes and implement recommendations.
- Implement position reductions in administration.

## **The Balanced Scorecard**

Over the long term, the WWP will measure its own performance through the use of the Balanced Scorecard, developed by the PST and first described in Part Two. Performance indicators have been identified for each of the four quadrants of the scorecard. These indicators of success (and failure) will be monitored by the WWP Management Team to determine how well we are doing and are expected to evolve overtime with experience. The performance indicators and anticipated measurements are listed below. Specific baseline measurements for the year 2001, and future target goals for 2005 and 2010 have not be identified. These goals will be forwarded to the Executive and Council once they are adopted early in 2001.

### **People Management (Learning & Growth)**

- *Employee satisfaction.* To be measured by survey methods once a year. Recommended areas include:
  - 1) overall satisfaction with the WWP,
  - 2) training and development,
  - 3) participation and involvement,
  - 4) management practices,
  - 5) benefits and compensation, and
  - 6) workplace environment.
- *Employee retention.* Measure the rate of voluntary turnover in staff.
- *Employee development.* Computed as an index of two factors:

- 1) average number of training hours per employee, and
- 2) data from the employee survey.

### ***Key Internal Processes***

- Regulatory compliance  
The Association of Metropolitan Sewerage Agencies Platinum Award Development of a Compliance index that reflects adherence to all environmental standards (air, odor, biosolids, OSHA, etc)
- Safety  
Development of a Safety Index composed of the number of lost time accidents and the workers compensation claims volume (in cost) per employee
- Infrastructure management  
The measure of infrastructure asset value based on CIP data. The objective is to preserve the WWP infrastructure as a long-term investment through prudent capital programs planning and execution.
- Innovative strategies  
The recommended measure is the dollar value received from implementing innovative and competitive change strategies.

### ***Customer Focus***

- Customer and stakeholder satisfaction  
Measured by survey of elected officials, Metropolitan Water Pollution Abatement Advisory Committee, and to the extent possible ratepayers to determine the degree of satisfaction that their interests are being met.
- Environmental excellence  
Measurements are not defined yet and use as a performance indicator depends on identifying a reliable measurement.

### ***Financial***

- Rate stability for WWP portion of the budget  
Stability as compared to other nearby communities serving as a regional service provider and the rate of inflation.
- Budget variance  
Percentage that actual expenditures are below a realistic budget (exclude debt service coverage).
- Debt service coverage  
Maintain the required debt service ratio.
- Cost per million gallons per day of wastewater treated  
Based on the best in class (competitive) standards established in the West Coast Benchmarking Study.

The key to using the Balanced Scorecard is to have measurable data to establish current performance, relevant benchmarks (such as national standards), and 2001, 2005, and 2010 targets. Initial data sources and measurements have been identified for these performance indicators. For example, the people

management indicators will be measured through an employee survey implemented once a year. The first one will be administered in the first quarter of 2001.

The WTD Management Team will approve targets and finalize the scorecard by April 2001. It will be used as a management tool to monitor how well the programs and strategies developed as part of the Productivity Initiative are working.

## **Monitoring Commitments**

An approach to monitoring the Pilot Program is necessary to ensure success. The WWP must ensure that internal commitments and strategies are followed through in a timely manner to ensure that cost savings are fulfilled in the future. The Management Team and PST (in a different role) will play roles in that effort, but enforcement of commitments will fall directly to the division manager.

The County Executive must also hold the WWP accountable for meeting the annual budget targets. In addition, Executive staff must review any adjustments to the WWP's targets prior to the targets being set.

Every year the WWP shall prepare a report summarizing the WWP's performance regarding this Pilot Program. Where variances from expected performance occur, the reports will include the WWP's planned strategy for correction, linked to schedule and future performance reviews. As appropriate, the reports shall include any information necessary and relevant for the County Executive to assess the WWP performance. It is expected that the report will contain a summary of the following:

- Operational performance of the treatment facilities
- Accomplishments of the capital improvement program
- Evaluation of the WWP's financial performance
- Accounting of the Productivity Incentive Fund contributions resulting from the WWP's performance

Annual reports should be independently audited and reviewed by staff from the Department of Natural Resources, King County Council, and County Executive's Office.

## **Program Managers**

The program managers for the WWP and County Executive's Office should be the contact persons for communications regarding the performance of this Pilot Program. The program manager for the Wastewater Program is the manager of the Wastewater Treatment Division. The program manager for the King County Executive is the deputy county executive.

This Pilot Program Plan is different from any other program prepared for King County. It essentially guarantees cost reductions for a program based on future changes in the way business is conducted. Implementing the Plan may not be as smooth as currently anticipated.

When necessary, program managers shall discuss nonperformance of the goals, objectives, and commitments in this plan. Program managers shall identify and agree upon the issues, develop options for compliance, and recommend a schedule for complying with the terms of the Pilot Program to the County Executive.