Benchmarking & Workplace Efficiency Study

January 29, 2014

Preliminary Benchmarking Summary from HDR
Today’s Discussion

• Project Status
• Experience of Other Utilities
• Summary of Cost Savings
• Next Steps
The goal of the project is to identify opportunities to improve overall efficiency and savings.
The Project Process

Best Practice
- 142 Business Element

Analysis

Benchmark
- 220 Questions

Resources Needed
- One Year
- Three Years
- Ultimate

Recommendations
The Best Practice Evaluation looked at 142 Business Elements
Benchmarking compared similar utilities across 14 Business Categories

4 Solid Waste Utilities

4 Water, Wastewater, and Drainage Utilities
### SPU Industry Comparison

<table>
<thead>
<tr>
<th>Leads</th>
<th>Lags</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Robust Triple Bottom Line evaluations, environmental sustainability and conservation programs</td>
<td>• Operating Expenses are higher than average for all three LOBs</td>
</tr>
<tr>
<td>• Strong stakeholder outreach and engagement</td>
<td>• IT Plans can be used to improve capital forecasting and O&amp;M strategies</td>
</tr>
<tr>
<td>• Material inventory and handling</td>
<td>• Training, leadership development, performance management, and right-skilling to transform the workforce</td>
</tr>
<tr>
<td>• Customer service response</td>
<td>• Stronger Asset Management Programs can improve asset life cycle costs</td>
</tr>
<tr>
<td>• Regulatory compliance and reporting</td>
<td></td>
</tr>
</tbody>
</table>
Initiatives & Actions from Benchmark Partners: Water, Wastewater, & Drainage

• Utilize reliability analysis and RCM
• Establish MOU/Agreements for control of city-wide services
• Align org around LOB, with strong, centralized corporate support
• Develop middle-management leadership
  • Supervisor training, mentorship programs, and EIT programs
• Succession planning with 5-year projections
• Strategic Plan implementation
  • At very high level – Assistant Director
• Technology planning
Initiatives & Actions from Benchmark Partners: Solid Waste

- Outsource billing for “one-off” services
- Charge for extra waste set-out prior to pick-up via third-party seller
- Utilize surcharges to discourage contamination at transfer stations and recover cost to sort
- Establish KPIs for education and outreach campaigns
- Every-other-week garbage collection successful but results in temporary dip in customer satisfaction
  - No perceived loss in service is critical
Overall Observations...

- Balance cost with level of service
- Focus on core business processes
- Expand use of enterprise technology
- Define clear lines of accountability
- Define the level of risk aversion
- Leverage people in “right” job
- Build on performance control
- Prepare staff for future
The development of cost saving recommendations

Data Collection
- 145 Staff Engaged

Evaluation & Analysis
- Best Practice
- Benchmark

First Cut
- 180 Actions

Feasibility & Test
- 45 Staff and Economists

59 Recommendations
## Summary of Savings

<table>
<thead>
<tr>
<th>Focus Area</th>
<th>Investment ($000s)</th>
<th>Savings O&amp;M ($000s/yr)</th>
<th>Savings CIP ($000s/yr)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Easy &amp; Engaged Customer Experience</td>
<td>$0</td>
<td>$600-720</td>
<td>$30-40</td>
</tr>
<tr>
<td>Transform the Workforce</td>
<td>$700-950</td>
<td>$2,700-3200</td>
<td>$0</td>
</tr>
<tr>
<td>Protect Environmental &amp; Public Health</td>
<td>$90-110</td>
<td>$200-250</td>
<td>$1,300-1,500</td>
</tr>
<tr>
<td>Operational Excellence</td>
<td>$2,500-3,200</td>
<td>$4,500-5,400</td>
<td>$4,000-4,500</td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td><strong>$3,290-4,260</strong></td>
<td><strong>$8,000-9,570</strong></td>
<td><strong>$5,330-6,040</strong></td>
</tr>
</tbody>
</table>
Easy & Engaged Customer Experience

- Update the external SPU website
- Outsource portions of the Solid Waste billing and customer services to the existing contractors
Transform the Workforce

- Centralize all field work and scheduling around the Planner/Scheduling
- Reduce field crew size
- Procure new human resources (HR) information system software
- Entry level staff apprentice training programs
- New Performance Review Process
- Set points of responsibility for mission critical business processes
- Create progression path system

<table>
<thead>
<tr>
<th>O&amp;M</th>
<th>$2,700 – 3,200</th>
</tr>
</thead>
<tbody>
<tr>
<td>CIP</td>
<td>$0</td>
</tr>
<tr>
<td>Invest</td>
<td>$700 - 950</td>
</tr>
</tbody>
</table>
Protect Environment & Public Health

- Update and Improve use of Construction Specifications
- Create a strategic regulatory interface management strategy
- Set up a Corporate Business Planning function linked with LOB Planning Divisions

<table>
<thead>
<tr>
<th></th>
<th>O&amp;M</th>
<th>CIP</th>
<th>Invest</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$200 – 250</td>
<td>$1,300 – 1,500</td>
<td>$90 - 110</td>
</tr>
</tbody>
</table>
Operational Excellence

- Develop an enterprise content management strategy
- Reliability Analysis function within Corporate Asset Management
- Update and formalize the Enterprise Asset Management Program
- Align the SPU organization around three lines of business (LOB)
- Outsource / maintenance of SPU fleet
- Reduce SPU IT Costs from DoIT

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>O&amp;M</td>
<td>$4,500 – 5,400</td>
</tr>
<tr>
<td>CIP</td>
<td>$4,000 – 4,500</td>
</tr>
<tr>
<td>Invest</td>
<td>$2,500 – 3,200</td>
</tr>
</tbody>
</table>
The five categories of benchmarking & workplace efficiency

- Revenue Generation: $0
- Actual Cost Savings: $760
- Avoided Costs: $4,700
- Productivity & Efficiency Gains: $5,750
- Systemically Constrained: $4,400
<table>
<thead>
<tr>
<th>Service Area</th>
<th>Revenue Generation</th>
<th>Actual Cost Savings</th>
<th>Avoided Costs</th>
<th>Productivity &amp; Efficiency Gains</th>
<th>Systemically Constrained</th>
</tr>
</thead>
<tbody>
<tr>
<td>Easy &amp; Engaged Customer</td>
<td>$0</td>
<td>$113</td>
<td>$0</td>
<td>$0</td>
<td>$599</td>
</tr>
<tr>
<td>Transform the Workforce</td>
<td>$0</td>
<td>$0</td>
<td>$881</td>
<td>$464</td>
<td>$1,922</td>
</tr>
<tr>
<td>Environment &amp; Public Health</td>
<td>$0</td>
<td>$54</td>
<td>$189</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Operational Excellence</td>
<td>$0</td>
<td>$0</td>
<td>$954</td>
<td>$3,178</td>
<td>$1,312</td>
</tr>
</tbody>
</table>
Next Steps

• Fully evaluate the Initiatives
• Communicate goals across staff
• Clarify staff’s purpose and goals
• Build a strategy management process
• Set accountability for actions
• Anchor changes in the culture
• Maintain unwavering discipline
QUESTIONS