



King County

Metropolitan King County Council
King County Auditor's Office
Cheryle A. Broom, King County Auditor
King County Courthouse
516 Third Avenue, Room W1033
Seattle, WA 98104-3272
206.296.1655 Fax 206.296.0159
TTY 296-1024
www.kingcounty.gov/operations/auditor.aspx

Attachment 1

MEMORANDUM

DATE: March 15, 2011
TO: Metropolitan King County Councilmembers
FROM: Cheryle A. Broom, ^{CA} County Auditor
SUBJECT: Final Report – Assessment of the WTD Productivity Initiative

Attached is the final report assessing the effectiveness of the Wastewater Treatment Division (WTD) Productivity Initiative which responds to Ordinance 14941. It requires a review of the ten-year productivity initiative by an independent third party supervised by the King County Auditor's Office with input from WTD. Our office contracted with the consulting firm, FCS Group, to provide an assessment of the program.

The purpose of the review was to determine how effective the operational component of the productivity initiative has been in achieving the program's goals and objectives. The scope of the assessment also included an analysis of WTD's internal assessment of the productivity initiative and to report specifically on areas where the consultant's assessment of the effectiveness of the productivity initiative differs from WTD's internal assessment. The ordinance requires the assessment be completed in 2010. Our final report was delayed because we did not receive a draft of WTD's internal assessment of the program until January 18, 2011, and we needed to have subsequent meetings with WTD.

This report contains 15 observations and conclusions about the program. Overall, WTD's productivity initiative achieved efficiencies and cost savings but as the ten-year effort progressed, it was less successful in sustaining performance on goals related to quality, customer service, and employee management. Much of the cost savings were salary related which raise questions about what should be considered and counted as savings and whether the Program should differentiate between cost containment versus productivity savings.

Key observations include:

- WTD has implemented many cost saving practices and ideas, some of which were innovative or best practices, but many were ones that could be expected from an organization focused on continuous improvement and efficiency.
- WTD's cost per million gallons treated was initially high but has improved relative to its peer agencies since 2001. Although its total costs have been rising, WTD's operating and maintenance costs have remained generally stable, and these costs have been slightly decreasing over the past five years.

- Most of the savings to meet the operating target have been from salary savings; however, these are not long-term productivity savings but represent a cost containment measure used to help WTD meet its target. There are now very few cost increases that are considered to be within WTD's control except for the original baseline in 2001. After ten years of program implementation, these issues raise questions about what should be considered and counted as savings and whether such savings are sustainable over a ten-year period.
- FCS Group's assessment of the productivity initiative agreed with WTD's internal assessment in a number of areas but differed over whether rate increases kept pace with inflation and whether WTD met selected measures related to permit compliance, customer focus, and employee management.

In commenting on the report, the County Executive stated the review will be useful in developing recommendations for a potential new productivity program. He also provided comments on several observations and conclusions, especially related to WTD's efforts to control operational costs and achieve balanced scorecard goals during the latter years of the initiative.

The King County Auditor's Office sincerely appreciates the professionalism of our independent consultants, Peter Moy and Nathan Reese from the FCS Group, and the cooperation received from the management and staff of the Wastewater Treatment Division in completing the assessment.

CB:BE:lo

Attachment