



KING COUNTY

1200 King County Courthouse
516 Third Avenue
Seattle, WA 98104

Signature Report

March 16, 2004

Motion 11893

Proposed No. 2003-0298.2

Sponsors Constantine, Patterson, Sullivan
and Phillips

1 A MOTION endorsing the extension of the pilot
2 productivity initiative to the wastewater capital
3 improvement and asset management programs for the
4 purpose of saving ratepayers money while ensuring
5 continuing high-quality operation of the county's
6 wastewater utility.

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9 WHEREAS, King County is committed to working with its employees and labor
10 unions to identify the most efficient manner to successfully deliver services to its
11 customers and clients, and

12 WHEREAS, King County is responsible for providing wastewater conveyance
13 and treatment services in the region and owns and operates certain wastewater treatment
14 facilities, and

15 WHEREAS, the county's wastewater program (WWP), a program of certain
16 sections from within the wastewater treatment division and water and land resources
17 division of the department of natural resources and parks, has the responsibility for the

18 planning, design and construction, maintenance and operations, finance and
19 administration for the wastewater conveyance and treatment system, and

20 WHEREAS, in response to the increasing public demand for demonstration that
21 sewer rates paid for wastewater conveyance and treatment services are being held as low
22 as possible, while protecting the environment and human health, in 2001 the council
23 endorsed and WWP instituted a productivity initiative with respect to the operations and
24 maintenance of the wastewater conveyance and treatment system, and

25 WHEREAS, the adopted productivity initiative called for the development of an
26 incentive plan to recognize performance that exceeds the established cost targets for the
27 WWP capital program, and

28 WHEREAS, in accordance with the goals and intentions as set forth in Motion
29 11156, WWP seeks to extend the productivity initiative to the capital program, with
30 potential for cost savings for the public and productivity incentives for WWP employees,
31 and

32 WHEREAS, working collaboratively with labor, design consultants and
33 construction contractors, WWP has developed strategies to apply the productivity
34 initiative to capital design and construction projects to define target budgets and
35 accountability measures for those targets, garner cost efficiencies, and provide savings to
36 rate payers as described in Attachment A to this motion, and

37 WHEREAS, WWP has developed an asset management program to set targets
38 and measure savings from maintenance, repair and replacement of capital equipment
39 assets, and to provide savings to rate payers and productivity incentives for WWP
40 employees as described in Attachment B to this motion, and

41 WHEREAS, the WWP has prepared an ordinance as a companion to this motion,
42 for the council's consideration that would extend the productivity initiative to the WWP
43 capital program, and distinguishes the productivity incentive program from the county's
44 quality improvement program.

45 NOW, THEREFORE, BE IT MOVED by the Council of King County:

46 1. The county executive is hereby authorized to extend the existing wastewater
47 program productivity initiative to the WWP capital program on a pilot basis. The pilot
48 program shall expire on April 30, 2011 unless action is taken by the council to continue
49 it. Major capital improvement projects included in the program, for which targets have
50 been set by April 30, 2011 shall be allowed to continue with provisions of the
51 productivity initiative applied through the completion of the project.

52 2. The executive is requested to negotiate both operating and capital project
53 incentive payments into the labor agreements of represented employees and to
54 proportionately share these incentive payments with non-represented employees. It is
55 hereby recognized that the extension of the productivity initiative to the capital program
56 is a new initiative that may need to be modified or terminated if it proves ineffective or
57 infeasible. For this reason the executive is requested to negotiate terms in labor

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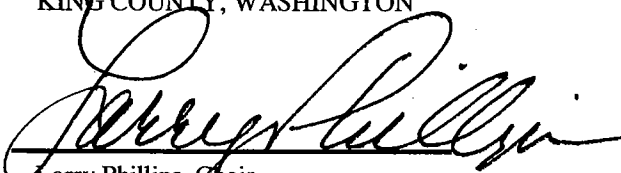
58 agreements for capital incentive payments that recognize the program may be modified or
59 terminated at some point in the future.

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Motion 11893 was introduced on 6/30/2003 and passed by the Metropolitan King County Council on 3/15/2004, by the following vote:

Yes: 12 - Mr. Phillips, Ms. Edmonds, Mr. von Reichbauer, Mr. Pelz, Mr. McKenna, Mr. Ferguson, Mr. Hammond, Mr. Gossett, Ms. Hague, Mr. Irons, Ms. Patterson and Mr. Constantine
No: 0
Excused: 1 - Ms. Lambert

KING COUNTY COUNCIL
KING COUNTY, WASHINGTON



Larry Phillips, Chair

ATTEST:



Anne Noris, Clerk of the Council

Attachments A. King County DNRP Wastewater Treatment Division - Major Capital Projects Pilot Program, Dated March 8, 2004, B. King County DNRP Wastewater Treatment Division - Asset Management Pilot Program, Dated March 8, 2004

King County Wastewater Treatment Division
Major Capital Projects Pilot Program

PROJECT DELIVERY METHODS	POTENTIAL CONTRACTING INCENTIVE ELEMENTS	TARGET-SETTING OPTIONS	SAVINGS SHARING
<ul style="list-style-type: none"> • % of Fee at Risk (consultant) • Cost + Fixed Fee (consultant) • Lump Sum (consultant) • Design/Bid/Buil Id (contractor) • Design/Build (consultant & contractor) • GCCM or CM at Risk (contractor) 	<ul style="list-style-type: none"> • Schedule/milestones • Budget • Quality • Small businesses goals • Apprenticeship goals • Project coordination & management • Safety standards 	<ul style="list-style-type: none"> • Total Project Costs <p style="text-align: center;">or</p> <ul style="list-style-type: none"> • Allied Costs/ Industry Standards 	<ul style="list-style-type: none"> • Total Project Costs: Final savings at the end of the project shared (83%/17%) between ratepayers and staff <p style="text-align: center;">or</p> <ul style="list-style-type: none"> • Allied Costs/Industry Standards: Staff and ratepayers each share 50% of final savings

**King County Wastewater Treatment Division
Major Capital Projects Pilot Program**

Total Project Costs

At the 30%-60% design level, a target for total project costs will be determined by an independent third party. Additionally, consultants and contractors may be eligible for performance incentives for exemplary actions, and these performance incentives would be included in the total project cost.

At the conclusion of the project, the total project costs would be calculated and compared to the target. If savings were identified, 83% of the savings would be returned to the sewer ratepayers and 17% would be eligible for contribution to the Productivity Incentive Fund.

Allied Costs

An allied cost target would be determined by an independent third party and would align with allied cost experiences of "well-run" utilities or agencies for similar projects.

At the completion of the project, the total allied costs would be calculated and compared to the target. If savings were identified, 50% of the savings would be returned to the sewer ratepayers, and 50% would be eligible for contribution to the Productivity Incentive Fund.

King County Wastewater Treatment Division
Asset Management Pilot Program

PROGRAM COMPONENTS	SAVINGS SHARING
<ul style="list-style-type: none">• Service Life: savings on extending life of an asset and deferring replacement• Maintenance Cost: savings on maintenance activities• Small in-house Capital Construction Projects: savings from using existing staff to perform construction work	<ul style="list-style-type: none">• 50%-50% sharing between incentive fund and ratepayers

**King County Wastewater Treatment Division
Asset Management Pilot Program**

Service Life

Annual targets for equipment replacement would be set for the capital cost of equipment replacement for a selected group of assets for which historical cost data have been documented. Actual spending performance would be compared to the targets at year-end, and documented savings would determine the dollar impact to bond borrowing and in turn, the debt service savings. Documented savings would be cumulative in nature, carrying forward annually to constitute each year's bond borrowing impact. The bond borrowing impact would then be multiplied times the debt service factor (interest plus principal) from the most current bond issue to compute debt service savings or increases attributed to the Asset Management Pilot Program.

Fifty percent of any computed debt service savings would be paid to the Productivity Incentive Fund. Fifty percent of any computed debt service increases would be paid from the Productivity Incentive Fund.

Maintenance Costs

Annual targets would be set for maintenance costs for a selected group of assets for which historical cost data has been documented, and actual performance would be compared to the targets at year-end. Actual costs less than the targets would yield savings, 50% of which would be paid to the Productivity Incentive Fund; actual costs higher than the targets would represent increases, 50% of which would be paid from the Productivity Incentive Fund.

In-house Capital Construction Projects

An estimate for a small capital construction project would be prepared by an engineer or a work-order contractor. Employees would be eligible to submit a "bid" for completing the work themselves with existing staff. For those capital projects performed in-house, 50% of any savings would be paid into the Productivity Incentive Fund; however, if the final costs were in excess of the engineer/work-order estimate, then the excess would be reimbursed from the Productivity Incentive Fund.