

**CITY COUNCIL
COMMUNICATION:**

ITEM _____

**OFFICE OF THE CITY MANAGER
CITY OF DES MOINES, IOWA**

00-300

SYNOPSIS -

AGENDA:

JULY 10, 2000

SUBJECT:

PROGRESS REPORT
FOR THE THIRD
QUARTER OF
FISCAL YEAR 1999-
2000 RELATED TO
THE CHANGE
MANAGEMENT
PROGRAM AT THE
DES MOINES
METROPOLITAN
WASTEWATER
RECLAMATION
FACILITY

The professional engineering firm of EMA Services Inc. (George Mathes, President; 1970 Oakcrest Avenue, St. Paul, MN 55113) has an amended agreement with the City of Des Moines, 98-242, to design a Change Management Program for the Des Moines Metropolitan Wastewater Reclamation Authority (WRA) Wastewater Reclamation Facility (WRF). The City Council requested quarterly progress reports on the Competitive Strategic Plan developed in the program at the March 15, 1999 meeting.

FISCAL IMPACT -

Funds to support this project are budgeted in the Fund EN263, Organization ENG070122, Account 520050, and total \$476,966 in expenditures to date.

RECOMMENDATION -

Receive and file.

TYPE:

BACKGROUND -

RESOLUTION
ORDINANCE
RECEIVE/FILE

The original agreement, Roll Call No. 97-2709 passed on August 4, 1997, was to conduct an assessment of the WRA relative to private contract operations for an estimated \$25,000 fee and evaluate the Process Control System (PCS) for \$71,500.

SUBMITTED BY:

WILLIAM STOWE
WASTEWATER
RECLAMATION
FACILITY
MANAGER

Amendment Number One, for \$272,370, was to design the PCS replacement system. Amendment Number Two, for \$172,080, was to conduct the first part of Phase II (A) Change Management Program. This work included the design of the Preliminary Change Program through development of the Steering Team and the first Design Teams. These amendments were passed on June 15, 1998, by Roll Call No. 98-1930, and are complete.

Implementation of the Team Structure occurred in April, 2000.

Amendment Number Three is to conduct the second part of Phase II (B) and is approximately 90 percent complete, including Team training on process improvement. Cost is estimated at \$422,860 and passed on March 15, 1999, by Roll Call No. 99-765.

This phase of Change Management will initiate re-engineering business practices developed by the design teams. These new practices will result in:

- Less attended operations made possible through the new PCS;
- Increased proactive, predictive maintenance with 75 percent of all work planned and performed prior to failures;
- Changes in employees' skills, training, and incentives;
- Improved processes for purchasing goods and services.

These improved business practices will provide WRA customers with the highest quality products and services at the lowest possible costs and do so in an environmentally responsible manner.

The teaming approach and change in cultural attitudes has resulted in cost reductions. The goal is to achieve by the 2002/2003 fiscal year (FY), \$2 million of annual operating budget savings each year, as measured in 1997 dollars.

Cost reductions of \$315,709 (for 1997/1998) and \$953,993 (for 1998/1999) were reported previously. A savings of \$818,362 is indicated for FY1999/2000 at the end of this third quarter; computed using the base year average CPI (for 1997) of 158.91 and a projected 12-month average of 169.16 for 1999/2000.

The City and the WRA communities have already realized a return on this investment, which exceeds the one-time cost of the consulting services. Greater savings will be realized through Operations and Maintenance expense reductions. The potential payback for the Des Moines metropolitan area is very significant, and over the life of the facility will result in millions of dollars in savings.