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**CITY COUNCIL
COMMUNICATION:**

ITEM _____

01-157

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

AGENDA:

APRIL 2, 2001

SUBJECT:

PROGRESS REPORT
FOR THE SECOND
QUARTER OF FISCAL
YEAR 2000/2001
RELATED TO THE
CHANGE
MANAGEMENT
PROGRAM AT THE
DES MOINES
METROPOLITAN
WASTEWATER
RECLAMATION
FACILITY

TYPE:

RESOLUTION
ORDINANCE
RECEIVE/FILE

SUBMITTED BY:

WILLIAM STOWE,
PUBLIC WORKS
DIRECTOR

SYNOPSIS -

The City of Des Moines, as the Operating Agency of the Metropolitan Wastewater Reclamation Authority (WRA), engaged EMA Services, change management consultant, in 1997. This change process involved organizational improvements, a focus on team achievements, greater use of automation, and improved work practices. The City Council requested quarterly progress reports on the Competitive Strategic Plan developed in the program at the March 15, 1999 meeting.

FISCAL IMPACT -

Cumulative savings exceeding \$1 million have offset consulting costs of \$618,000. No consulting services are currently being used for Organizational Developmental Change Management.

RECOMMENDATION -

Receive and File.

BACKGROUND -

The original agreement between the City and EMA, 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.

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 of 2000.

Amendment Number Three included Team training on process improvement. Costs of \$422,860 were passed on March 15, 1999 by Roll Call No. 99-765. This final phase of Change Management initiated re-engineering business practices developed by the design teams. These new practices resulted 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, \$2 million of annual operating budget savings, as measured in 1997 dollars. This goal would be an on-going annual reduction of operating and maintenance costs.

Cost reductions of \$315,709 (for 97/98), \$953,993 (for 98/99), and \$943,431 (for 1999/2000) were reported previously. Savings/cost reductions are computed using the base year average Consumer Price Index (CPI) (for 1997) of 158.91 and a 12-month average CPI at the end of the current fiscal year.

Second quarter FY2000/2001 activity includes revenues higher than expected in the budget and cash expenses lower than budgeted, resulting in savings/cost reductions at WRF for the first half of this fiscal year.

The City and the WRA communities have already realized a return on this investment, which significantly exceeds the one time cost of the consulting services. Greater savings will be realized through continued operations and maintenance expense reductions. The Facility's Change Management program could not succeed without the ongoing support of the Facility employees and their Union

Representatives.

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