



# Memorandum

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** James R. Helmer

**SUBJECT: PILOT PROGRAM  
HIGH PERFORMING TEAM  
SERVICE AGREEMENT**

**DATE:** 05-18-09

Approved

Date

5/22/09

## INFORMATION

The purpose of this memorandum is to inform the City Council about the development, on a pilot basis in 2009-10, of a High Performing Team Service Agreement for the Department of Transportation's Sewer Line Cleaning Program for planned implementation over a three fiscal year period from 2010-11 through 2012-13.

## BACKGROUND

In 1998, the Department of Transportation Roadway Markings Team successfully participated in the City's Managed Competition Pilot Program. The Team achieved verifiable improvements and costs savings that were reviewed and approved by the City Manager's QUEST Team and the City Council. The experience and skills gained by the Department and numerous management and line employees has been invaluable over the years in developing more effective and efficient ways of doing business. Those skills include leadership, team development, business intelligence (e.g. data and information systems), and work process improvement.

Over the years, with limited resources, the Department has worked to extend the practices and approaches developed during the managed competition process to other service areas including pavement maintenance, and more recently sewer maintenance, and landscape maintenance.

As part of the Beyond Budget Cuts effort, the Employee Empowerment Action Team identified the development of self-directed employee teams as a priority. Under the overall leadership of the Team's Co-Chairs, developmental work for a high performing/self directed team pilot program has been developed. Concurrently, another City team is in the process of reviewing proposals to update the City's Managed Competition Policy and using the City's employee values as a framework to evaluate new service delivery innovation models. This report describes a way to advance each of these initiatives.

## **ANALYSIS**

The purpose of this section of the report is to provide a framework for using high performing employee teams to achieve higher levels of performance and/or reduced costs. The framework is based upon the success of a number of past efforts including aspects of the managed competition process, the high performing team process, and the continuous improvement and performance measurement efforts.

The concept is to identify specific services or service delivery units that would be tasked with achieving improved performance and/or reduced costs in a pre-determined period of time. The specific performance improvements, costs reductions, and other terms of the high performing team process would be documented in a service agreement between the Department (service unit) and the City Manager's Office and/or City Council. The process would be as follows:

1. Service or service delivery unit identified.
2. Current service information documented (e.g. performance, production/output, workload, budget (e.g. personal/non-personal/equipment), costs (actual total per year, unit costs).
3. Department/service unit reviews current service information, work practices, benchmarks and best practices, equipment, technology, and support services, capabilities and training of staff, etc. to determine what additional research, training, and actions are needed to prepare the staff to achieve improved performance/production and cost targets.
4. Current service/cost information verified by the City Auditor's Office.
5. Department/service unit develops service agreement proposal that includes new performance and production/output targets and budget and cost targets to be achieved over specified periods of time (e.g. end of year 1, 2, and 3). The proposal identifies specific support service activities and authorities (e.g. procurement, vehicle maintenance, human resources) that will be needed to achieve the improved performance and cost.
6. City Manager's Office/Budget Office reviews the proposal and either accepts it or initiates discussions to modify various terms in the proposed agreement. Part of the review process will be coordination with the various support service departments that would have a role in helping achieve the goals to identify those areas where additional help or higher levels of support may be needed.
7. If an agreement is reached, the City Manager's Office may propose the service agreement to the City Council through the Proposed Budget/Manager's Budget Addendum Process.
8. Department/service unit performs the work associated with the service agreement providing a year end report for each year in the service agreement. The City Auditor reviews and validates the year end reports.
9. Perform mini-assessment of Step 3 and the end of each year (on pertinent items).

## **Pilot Test Case: Sanitary Sewer Maintenance Line Cleaning**

### **Current Service Model and Investment**

Sanitary Sewer Maintenance includes the necessary repair, maintenance, operations, and cleaning activities to the sanitary sewer system to ensure uninterrupted flow to the Water Pollution Control Plant. The overall Sanitary Sewer Program includes capital planning and project delivery, sewer repair and maintenance, line cleaning, pump station maintenance, and video monitoring to detect problems. Services and operations are provided on a 24/7 basis given the critical health and safety nature of the sanitary sewer system. The 2008-09 adopted budget for the sanitary sewer maintenance core service is approximately \$11.66 million, including 88 FTEs for direct maintenance. The sewer line cleaning operational service's adopted budget for 2008-09 is approximately \$3.5 million, including 29 direct maintenance FTEs and portions of 10 other FTEs. The operational service has been performed effectively over the years through a fairly traditional in-house infrastructure maintenance service model.

The program has had aging equipment and limited technology and data applications to assist in cleaning sewer lines, creating upper limits to overall effectiveness and efficiency. However, through strong leadership and dedicated maintenance staff, the service has been performed well over the years. Customer service feedback has consistently been high and response times to sewer problems have been good. Recent efforts to replace aging equipment, develop new business and data models, and upgrade safety practices are improving productivity and safety.

### **Proposed Service Model Concept**

The goal is to achieve improved performance and/or reduced costs over a specified period of time. The specific performance improvements, costs reductions, and other terms would be documented in a service agreement between the Department (service unit) and the City Manager's Office. As part of the agreement process, the Department/service unit would review current service information, work practices, benchmarks and best practices, equipment, technology, and support services, and the capabilities and training of staff to determine what additional research, training, and actions are needed to prepare the staff to meet the performance/production and cost targets. Simultaneously, the service/cost information would be verified by the City Auditor's Office.

The Department/service unit would develop a proposal that includes new performance and production/output targets and budget and cost targets to be achieved at specified points in time (e.g. end of year 1, 2 and 3). The proposal would identify the specific support service activities and authorities that will be needed to achieve the improved performance and cost. The City Manager's Office/Budget Office would review the proposal and either accept it or initiate discussions to modify various terms in the agreement. Part of the review process would be coordination with the various support service departments (e.g. procurement, vehicle maintenance, human resources) that would have a role in helping achieve the goals to identify those areas where additional help or higher levels of support is needed.

**Anticipated Steps Forward (and Timeframe):**

1. **Identification of Services** – Identify the service delivery unit as part of the City Manager’s Proposed Budget or Addendum process (May/June in advance of 2009-10 fiscal year).
2. **Service Assessment** – Document and review current service information, work practices, benchmarks and best practices, equipment, technology, support services, and the capabilities and training of staff to develop new and innovative methods. (July to November 2009).
3. **Verification of Performance and Costs** – The service/cost information would be verified by the City Auditor’s Office. (November/December 2009).
4. **Develop Proposal** – The Department/service unit develops a bid/proposal that includes new performance and production/output targets and budget and cost targets to be achieved at specified points in time (e.g. end of year 1, 2 and 3). (January/February 2010) as well as any other relevant requirements of the process.
5. **Proposal Approval** – The City Manager’s Office reviews the bid/proposal and either accepts it or initiates discussions to modify various terms in the agreement. (April 2010).
6. **Agreement Approval** – As needed, submittal to City Council for approval (May/June 2010).

**Planned Steps to Maximize Alignment of New Service Model with San Jose Values:**

**Integrity:**

- a. The initial service and cost evaluation will provide an open and independently verified assessment of current performance and costs, reinforcing accountability for results. The staff already demonstrates a level of integrity through the 24/7 nature of their work responsibilities and a commitment to fast response when emergencies arise.
- b. Budget and expenditure accounting structures will be reviewed to ensure consistent reporting under the current and new service models.

**Innovation:**

- a. Creativity will be implicitly encouraged through the service review, benchmarking, and proposal development phase of the process, as well as challenging boundaries in ways that help achieve performance targets.
- b. The delivery of services under the agreement will require innovative ideas to achieve improved performance and reduced cost. Through strong leadership, and past innovative maintenance approaches (e.g. various cleaning techniques and applications deployed over years and leadership on safe practices) a foundation of innovation exists to build upon.

**Excellence:**

- a. Achieving consistently high customer service ratings will be an element of required performance.

- b. Generating the highest value service at the lowest cost is the core goal of the entire effort. Evaluation and measurement will be core elements of the business model. The current culture that exists in the work unit is a great foundation to achieve excellence. The high customer ratings achieved, given the typical circumstance of interaction (e.g. sewer backups) is a strong indication that the value of excellence is embedded in this work unit.

**Collaboration:**

- a. Teamwork with other engineering and maintenance operations will be essential to success.
- b. The line cleaning sections (e.g. east, west, swing) will need to integrate more closely to achieve anticipated performance goals. Better collaboration with other maintenance crews (e.g. repair and video detection) and engineering units will be key to success.
- c. Partnership and innovative service delivery from support departments (e.g. procurement, vehicle maintenance, human resources) will be crucial to achieving targets.
- d. Communication and support from labor and employee organizations will be essential.

**Respect:**

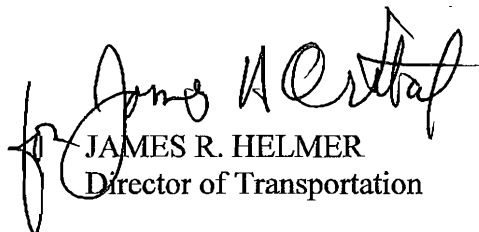
- a. Empowering members of the team to engage and make appropriate decisions will be an important part of achieving success.

**Celebration:**

- a. Assuming success and achievement of established targets, the team will be recognized by the City and Department. Being more engaged and empowered will create a more enjoyable workplace. Gainsharing/pay for performance should be awarded based upon the achievement of performance targets and cost savings achieved.

**COORDINATION**

The major elements of this proposal have been coordinated with the Employee Empowerment Action Team, employee representatives and the business agent for Operating Engineers Local 3, the Service Delivery Innovation/Managed Competition Stakeholder Group, and the City Auditor's Office.

  
JAMES R. HELMER  
Director of Transportation

If you have questions please contact Jim Ortbal, Assistant Director at 535-3845.