

January 19, 1999

To: Board of Directors (Engineering and Operations Committee--Information)

From: General Manager _____

Submitted by: Gary M. Snyder
Chief Engineer _____

Subject: Update on Implementation of Engineering Division Management Plan

RECOMMENDATION

For information only.

EXECUTIVE SUMMARY

In August 1997, a letter from the General Manager to your Board provided a draft copy of the Engineering Division Management Plan. After incorporating feedback, the plan was finalized and a detailed oral report was provided to Engineering and Operations Committee in October 1997. The plan described the Division's strategies and goals for cost reduction, staffing, communications, and quality. This letter is an update on the progress of the implementation. Implementation is progressing very well. Most short-term goals have been achieved and longer-term goals for cost reduction and staffing are on target.

DETAILED REPORT

In September 1996, Engineering Division management met with Executive Management and various constituents to discuss divisional strategies, goals, and perceptions. Following these meetings, division management began developing a plan to reassess its strategies and goals in light of the current environment. Five key focus areas were identified: cost reduction, staffing, communications, quality, and business development. A draft strategic plan was developed in January 1997. Following a Request for Proposal process, a consultant was hired to review the plan, conduct focus groups, and interview a cross section of directors, member agency managers, Metropolitan senior and division managers, outside consultants, construction contractors, and Engineering division employees. The consulting firm issued its final report in July 1997, and the Division's plan was revised to incorporate the consultant's recommendations.

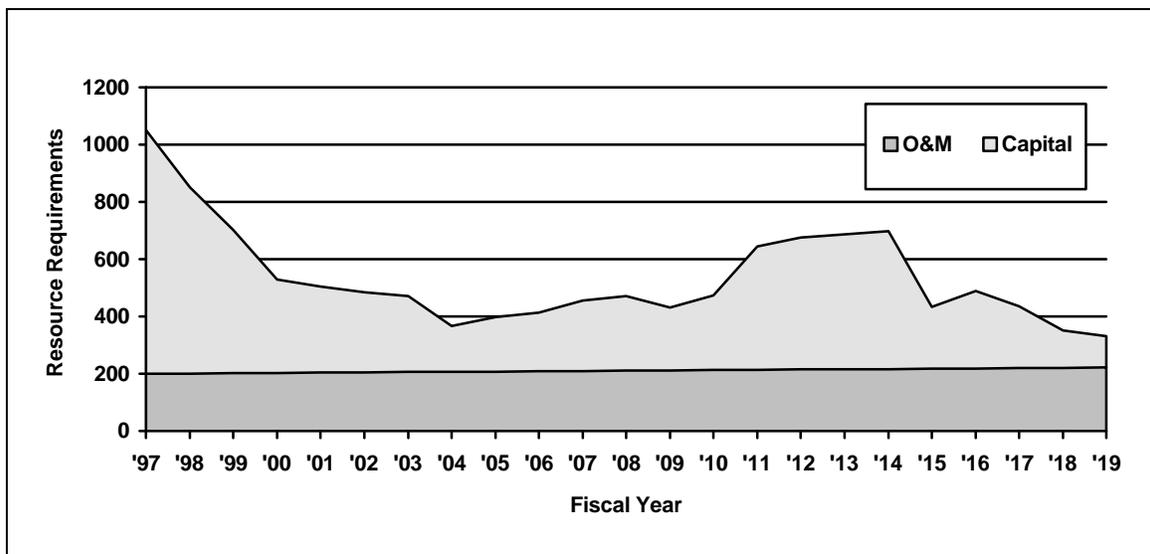
In August 1997, a letter from the General Manager to your Board provided a draft copy of the Engineering Division Management Plan. In October 1997, the Management Plan was finalized and presented via a detailed oral report to the E&O Committee. This letter summarizes progress to date on achieving key goals.

Cost Reduction

Business process changes have been implemented to reduce costs for service connection design and construction, contractor submittal review, computer aided design, construction inspection, quality assurance, etc. The division changed its organizational structure to strengthen project management, streamline decision-making, and improve cost control. Teams were established to identify ways to further reduce costs and streamline work processes. The division currently has under way two pilot projects which represent a significant change from the traditional design-bid-build approach it has historically utilized. The projects will utilize a qualified Request for Proposal process which is similar to the design/build process that is popular in the private sector. This new approach, being utilized on the Mills Warehouse and Storage Building Project and the Desert Facilities Fire Protection Upgrade Project, will help the division identify ways to further improve its cost effectiveness and project delivery time.

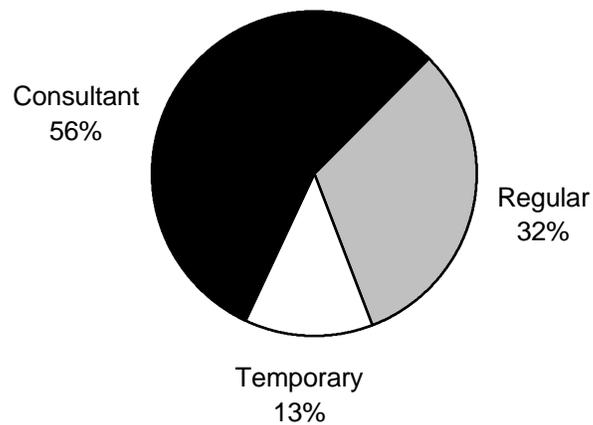
Staffing

As shown in the graph below, the division's workload fluctuates significantly based on the size and timing of projects in the Capital Improvement Program (CIP).



To retain flexibility and manage costs, the division utilizes a mixture of regular staff, temporaries, and consultants to complete over a hundred different capital and O&M programs that are currently under way. This strategy helps ensure that regular staffing does not exceed projected “valleys” in the engineering workload, that staff remain focused on core work, that work is outsourced to consultants when appropriate, and that regular staff are properly trained and reallocated to different assignments when workload or business process changes dictate. The division's current mix of staff is shown in the figure below:

Engineering Division



A key long term goal identified in the Management Plan is to decrease regular staff positions from 514 to 275 by 2005/6. Currently, the division is at 395 regular employees, a 23 percent reduction, as shown in the graph below. Moreover, the division is on target to achieve its long term goal of a 46 percent reduction in regular employees. In addition, utilization of temporary employees has declined by 15 percent; however, given the increased emphasis on outsourcing, consultant costs have increased by 15 percent.



As staffing declined, Engineering management consolidated organizational units and provided cross-training of employees. To date, two branches have been absorbed by other branches and 59 employees have received cross-training and job rotation assignments.

In addition, the division launched its RAVE (Recognizing Achievement and Valuing Excellence) employee recognition program to motivate employees, encourage and reward outstanding performance, and increase morale.

Communication

Strategies and goals are included in the Management Plan to improve communications with the Board of Directors, member agencies, executive management, other divisions, and staff within this division. The division continues to make a concerted effort to improve the quality, content, and format of Board letters, presentations, and videos to ensure Board members have accurate and timely information for decision-making. Engineering Division management meets bimonthly with the Member Agency Engineering Managers Group to discuss key issues and review Engineering Division projects. Executive management has been kept better informed of issues through periodic meetings with the Chief Operating Officer and other top staff. The division has developed an on-line Engineering Experts Directory which is accessible to all Metropolitan employees and member agencies to improve communications and clarify points of contact with other divisions. Division level staff meetings are held semiannually and broadcast phonemail messages are sent bimonthly by Engineering management to all engineering staff to keep staff better informed and focused on improvement efforts. Open, continuous two-way communication continues to be a high priority for the Engineering Division.

Quality

The Management Plan also addresses the issue of balancing the need to continue to provide highly reliable facilities while at the same time reducing costs. To accomplish this, the division is reassessing its design criteria to ensure that the quality standard used on each project is appropriate for the type of facility and its intended use. Although it is important that critical, lifeline facilities retain high standards to ensure long-term reliability and cost-effectiveness, other facilities can be built to lower standards which meet applicable code requirements in the most inexpensive way possible. Staff is currently comparing internal engineering standards to those utilized by outside consultants for various types of facilities and will adjust its internal standards to ensure facilities are cost-effective.

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