

Peer Performance Solutions: What gets measured gets done in DeKalb County, GA

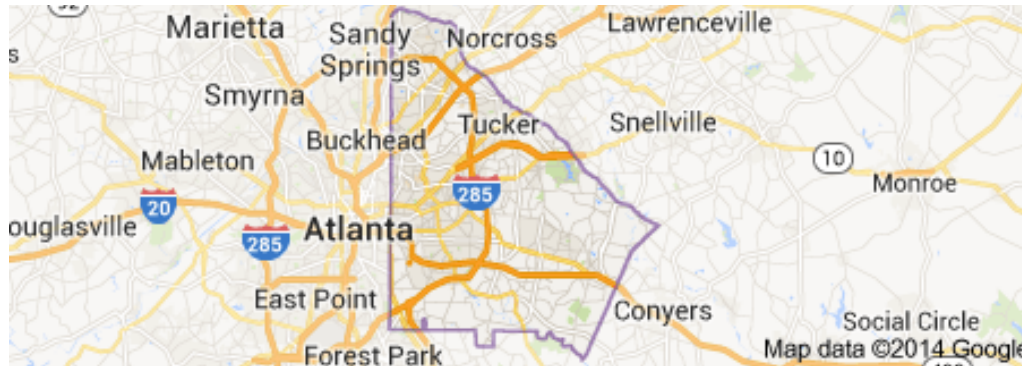
Morris Williams, DeKalb County BOC Chief of Staff

David Gadis, Veolia North America

ICMA Conference Presenters



About DeKalb County, GA



- **Third-largest county** in Georgia with **700,000+** residents
- Headquarters of the Center for Disease Control (CDC), the Yerkes Primate Center, American Cancer Society and Emory University's Rollins Research Center
- Four major interstates and MARTA (Metropolitan Atlanta Rapid Transit Authority)
- Home of Georgia's second busiest airport - DeKalb Peachtree Airport

Department of Watershed Management

- Approximately 670 employees
- Provides clean, safe drinking water and quality wastewater treatment:
 - 5,000 miles of pipe in the distribution and collection systems
 - Scott Candler Water Treatment Plant (128 MGD)
 - Pole Bridge Advanced Wastewater Treatment Plant (20 MGD)
 - Snapfinger Advanced Wastewater Treatment Plant (36 MGD)
 - 70+ distributed pumping stations, including Raw Water Pumping Station, Booster Stations, Sewer Pumping Stations

Why did DeKalb County pursue a partnership with Veolia?

The Department of Watershed Management faced issues that many utilities are dealing with across the country

- Increasing water/sewer rates
- Customer service issues
- Aging workforce/need for training
- Recent change in leadership

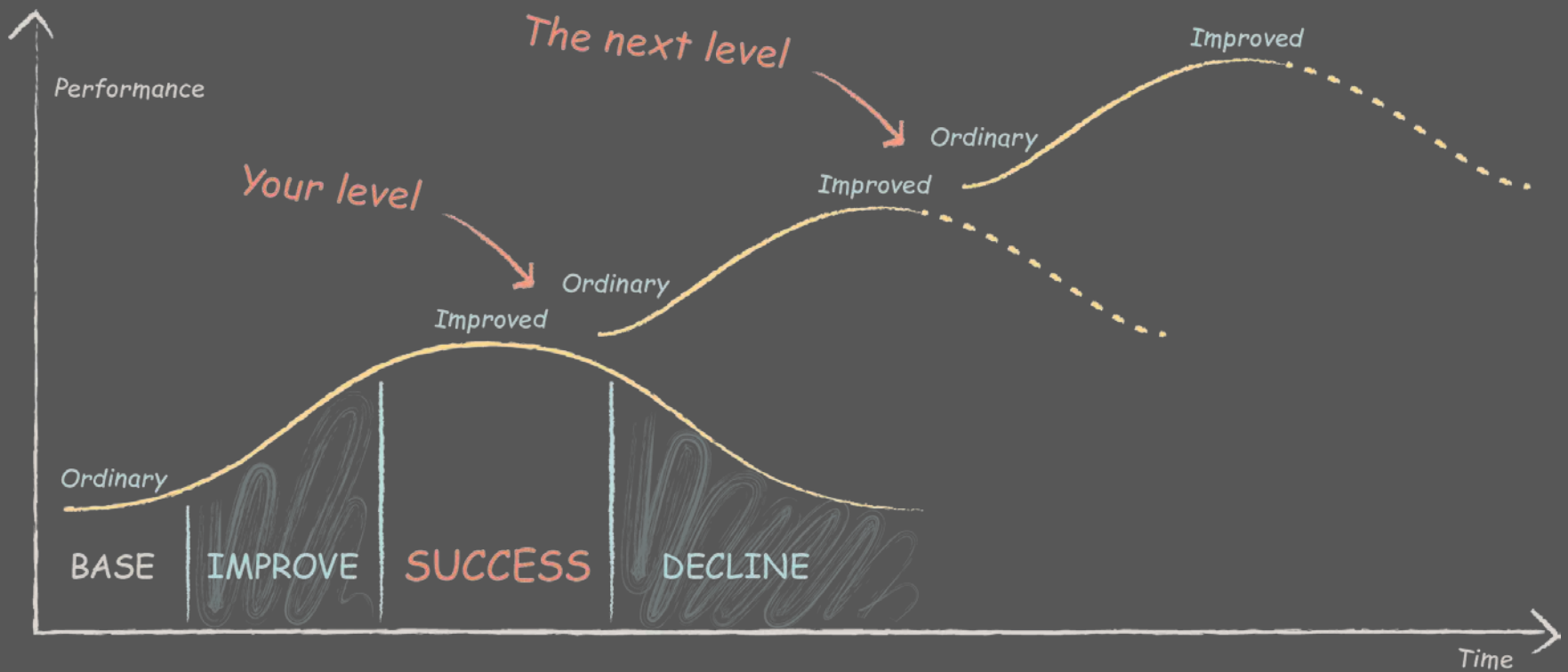
DeKalb County needed a partner to help:

- ***Transform the utility***
- ***Take in-depth look at operations***
- ***Become more efficient***
- ***Implement ideas faster***

DeKalb County wanted to improve service while balancing budgets

- In 2013, DeKalb County **issued an RFP** seeking a partner to provide a study of the utility followed by assistance in implementing improvements in:
 - *Service delivery*
 - *Control of expenses*
 - *New revenue*
- The scope included the **entire Department of Watershed Management** (water and wastewater) as well as the County's Finance Department customer service, billing and collections.

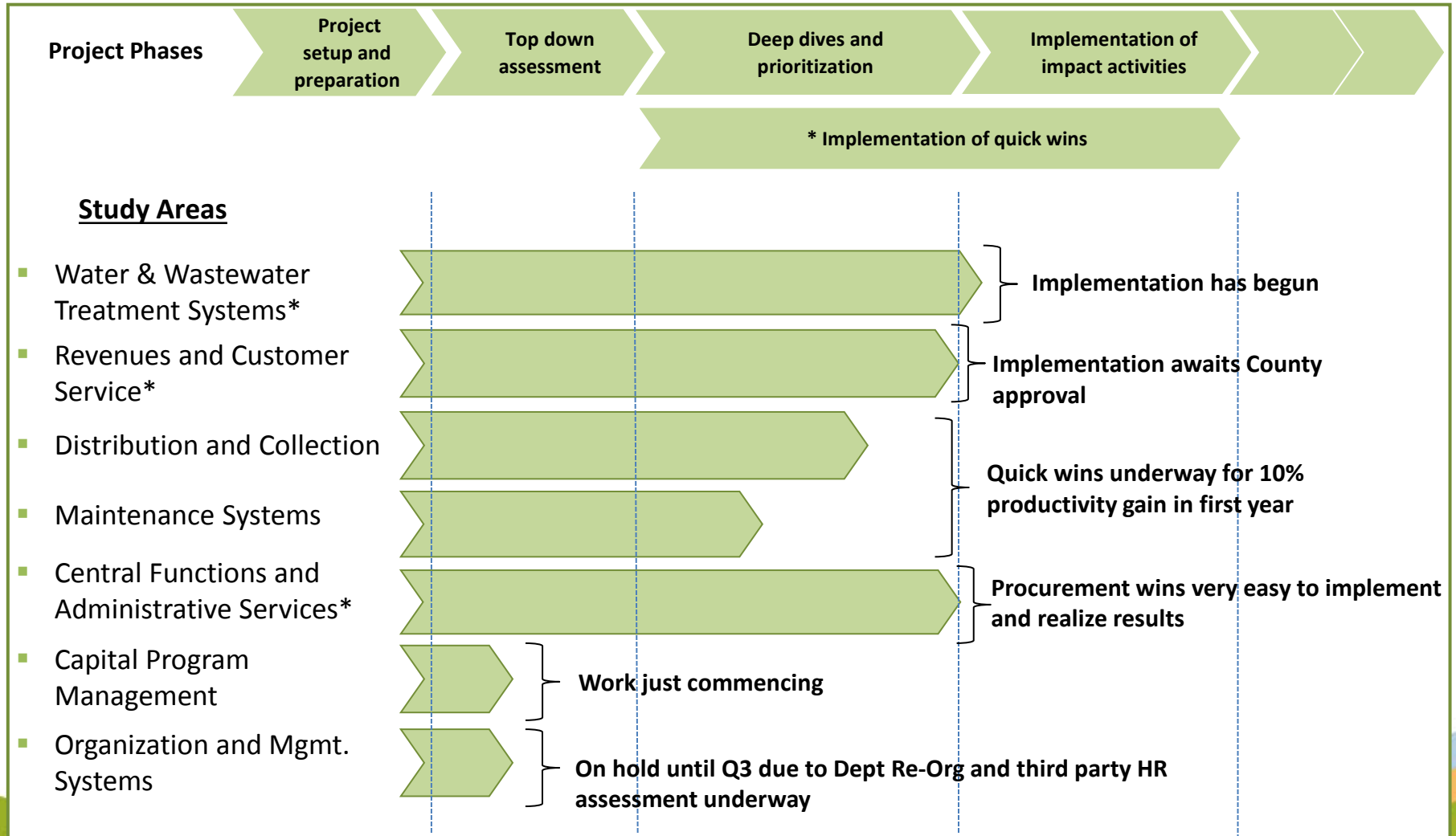
Even strong utilities can always get better....



“The county and Veolia estimate an annual savings of \$8 million for DeKalb ratepayers, reducing costs and helping mitigate rate increases. This partnership is also expected to improve customer service and reduce wait times for customers.”

Lee May, Interim CEO of DeKalb County GA, in his
2014 Budget Presentation

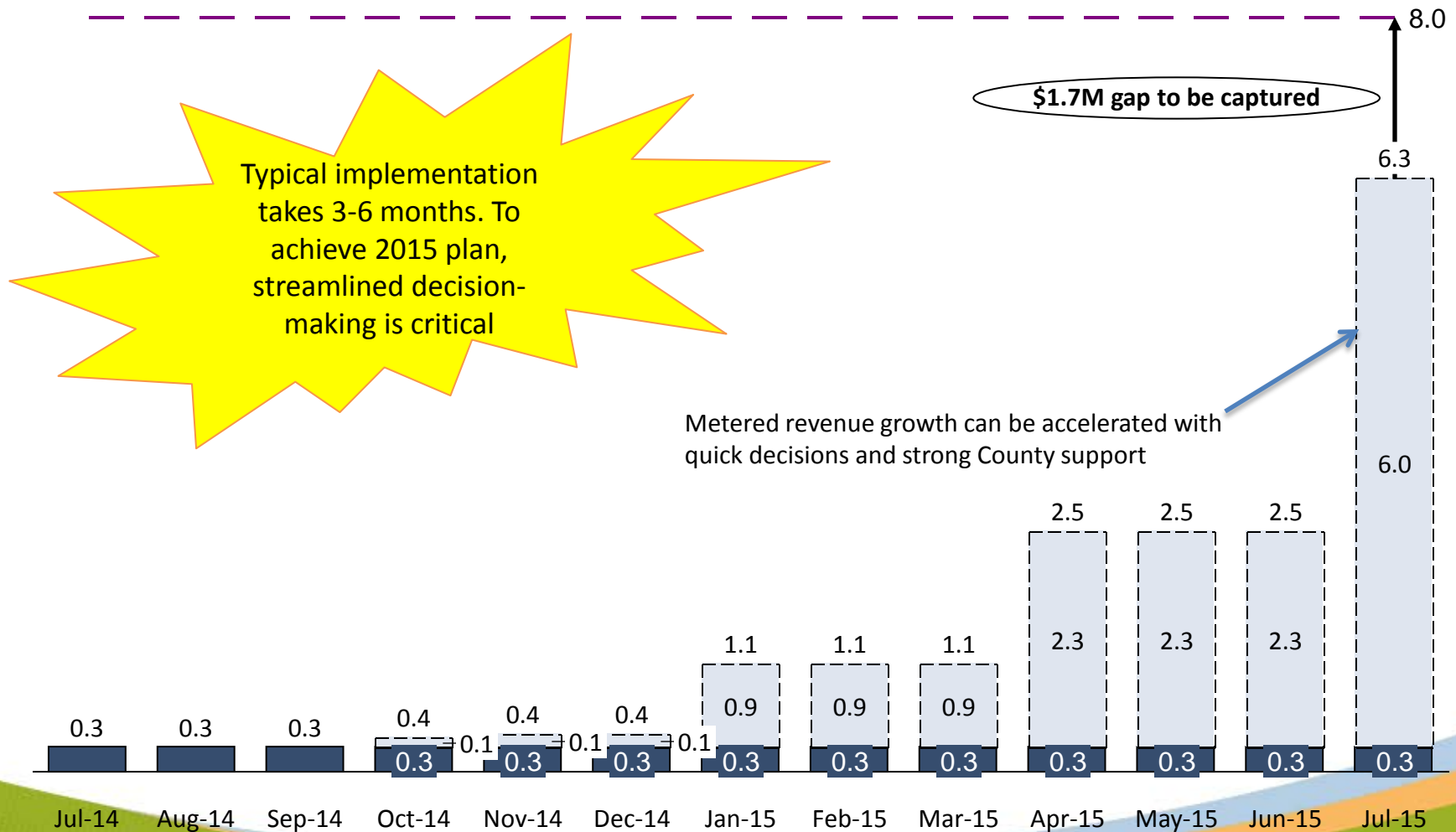
We are making good progress, but some implementations are awaiting formal approvals at this early stage in the multi-year effort



Expect to meet 80% of the annual savings target by July 2015 – approvals need to be in place to allow implementation to commence in 2014

- Annual Savings/Benefit target
- ▨ Forecasted implementation
- ▨ Implemented; future effective date
- Implemented and effective

Annual run rate impact
\$ millions



DeKalb program successes to date

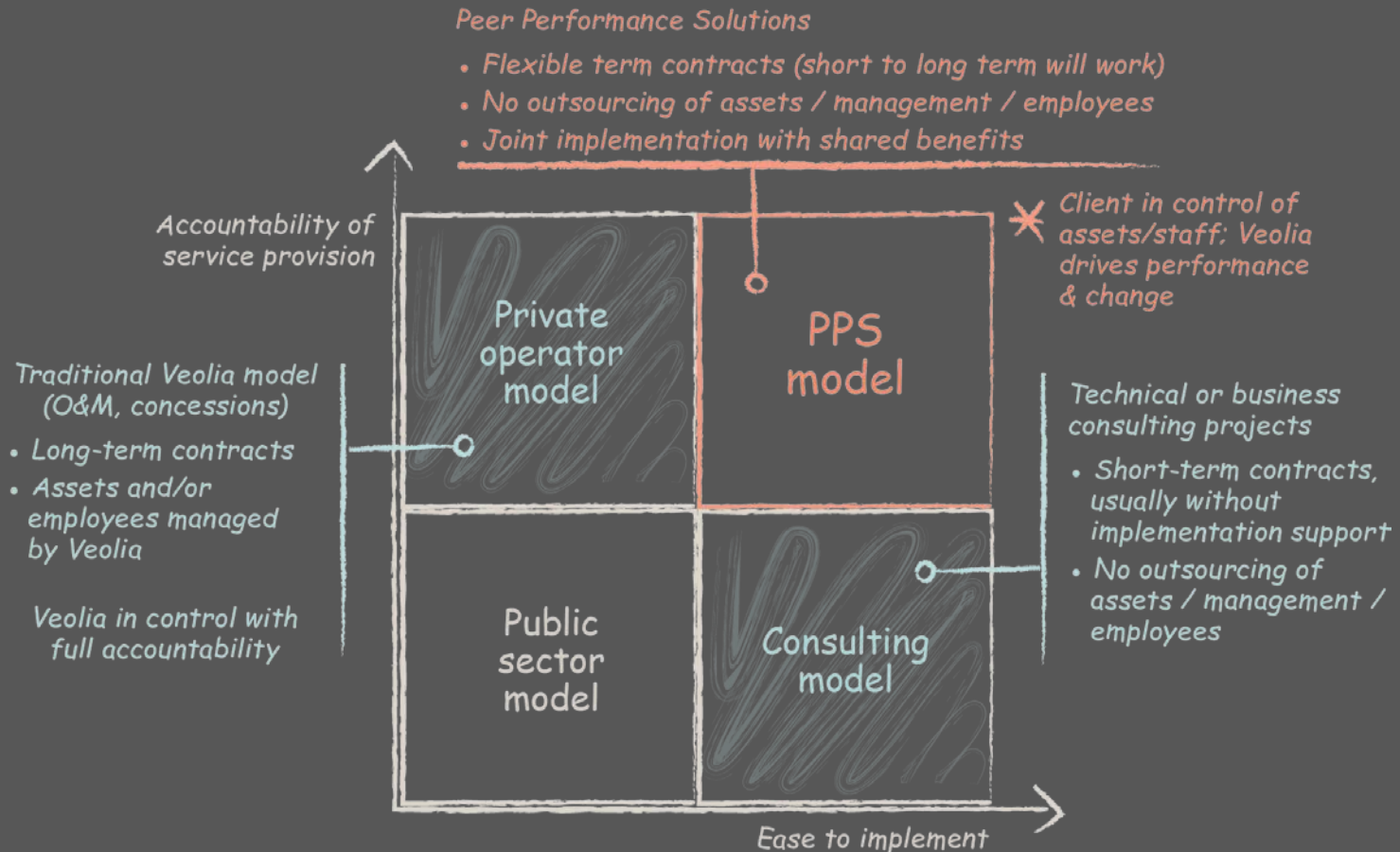
- Collaborated with County staff to identify and prioritize a “quick win” list of ten initiatives that could realize full benefit in the first year of implementation:
 - **Metered Revenues:** *Assessed large meter customer accounts historical database to identify under-recording meters, with estimated first year impact of an additional \$X M revenue for the Watershed Department through redirected focus in their meter change-out and calibration efforts.*
 - **Construction & Maintenance (C&M):** *Assessed Distribution and Collection System field crew productivity and found potential for \$1.4 M+ in annual impact potential. Further benefits from increased productivity will include in-sourcing elements of the County’s current contractor water and sewer system expenditure.*
 - **Wastewater Treatment Plants:** *Identified and now implementing over \$500K in annual chemical and power consumption savings without need for any capital expenditure.*
 - **Water Treatment Plants:** *Identified over \$600K in annual chemical and power consumption savings, without need for any capital expenditure.*

How does our partnership work?

PEER PERFORMANCE SOLUTIONS

*A consultative PPP to help utilities
create sustainable value by driving significant and
sustainable performance improvements*

The PPS Model fits between outsourcing and consulting



This offering supports implementation of performance improvement inside of public sector constraints



- “Contracting for results” (output focused)
- “Hard engineering” (combines the technical competency of the contractor and the Utility)
- “Soft engineering” (brings a structured approach to change management)
- Rigorously verifies and documents the improvements made, as the basis of value delivered

PPS is like, but different to other collaborative models in use today

- Unlike Consulting, **remuneration is based primarily upon the achievement of performance** (savings, revenue, service levels, improved compliance) rather than the cost of inputs.
- Unlike Outsourcing, the Contractor does not take over work, but rather **supports the client utility's staff** to work more effectively and efficiently – doing different things and doing things differently.
- The **Utility retains the final say and the direct costs** of the work.

PPS has wide-ranging applicability and opportunity

- The PPS model is **adaptable to any specialization** (water, energy, etc.), sharing access to best practices of private operators.
- It can be applied to **create value for a utility in any area of the operations of a utility** (field-work optimization, treatment-plant performance, customer services and revenue collection, corporate services and capital planning and delivery).
- Should be focused and prioritized to **align with the strategic and operational plans** of the Utility.
- Remuneration **models and terms can be adapted** to ensure the Contractor has enough “skin in the game” to align with the Utility on successful implementation of improvements, not just advice.

How does PPS Work?

PPS follows a collaborative process across the entire program



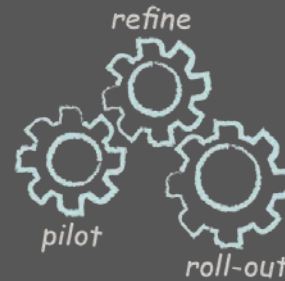
*Existing challenge:
improve performance
and efficiency*



*Identify savings
and performance
improvement
opportunities together*



*Jointly define savings
and performance
initiatives*



*Implement initiatives
together*



*Targeted performance
and savings sustainably
achieved*

PPS brings both new technical solutions and comprehensive change management to deliver and verify proven improvements in performance



Know-how & experience

- Technical knowledge
- Operational experience
- Utility management experience
- Asset management experience
- Tools, systems, best practices



Change management

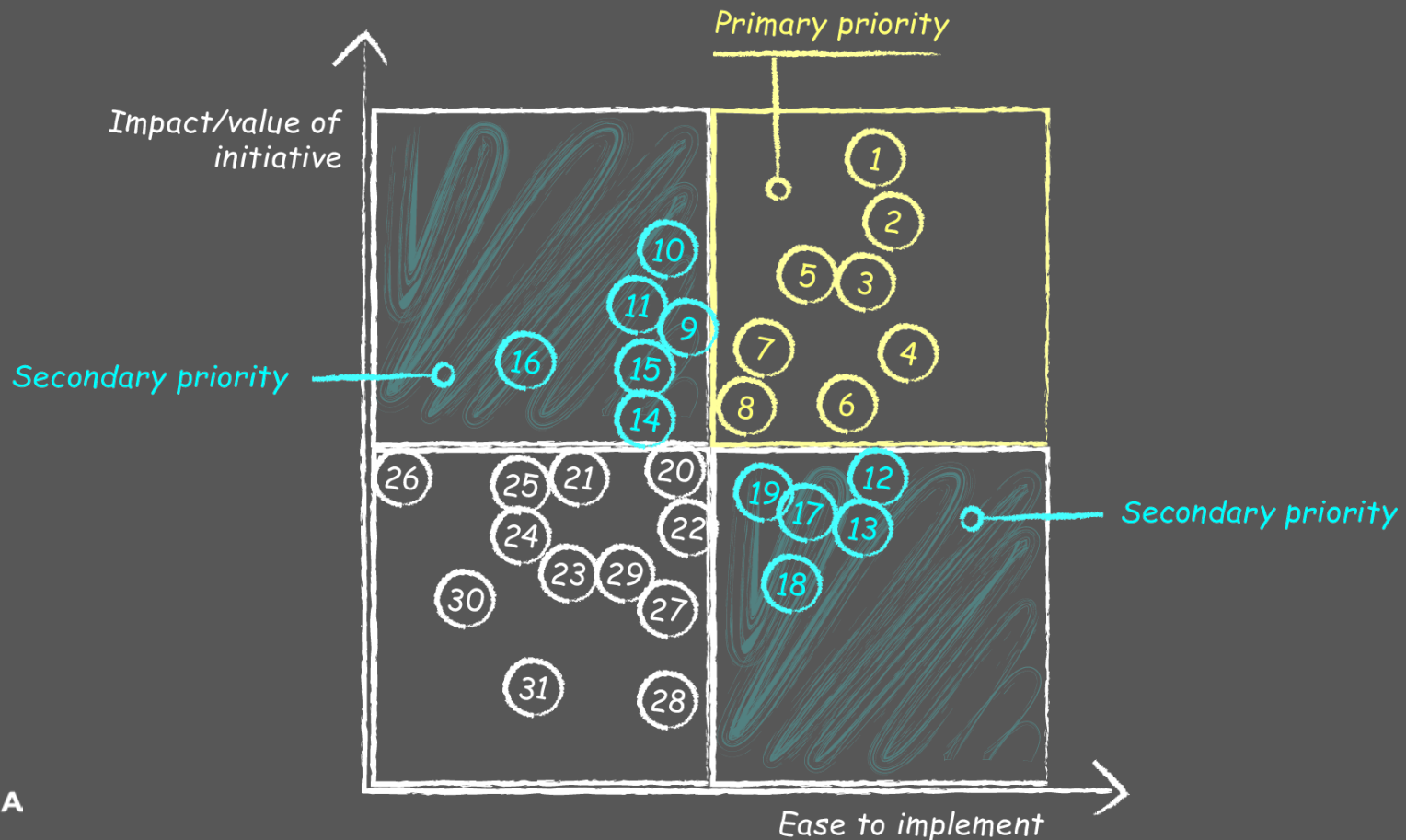
- Project governance and management
- Client interactions and communication
- Mindsets and behaviors



Value

- Reliable, safe, and compliant service
- Efficient operations
- Performance improvement
- Savings and high profitability

PPS initiatives are prioritized on impact/value and ease



PPS must combine the “soft engineering” to deliver effective and sustainable performance improvements

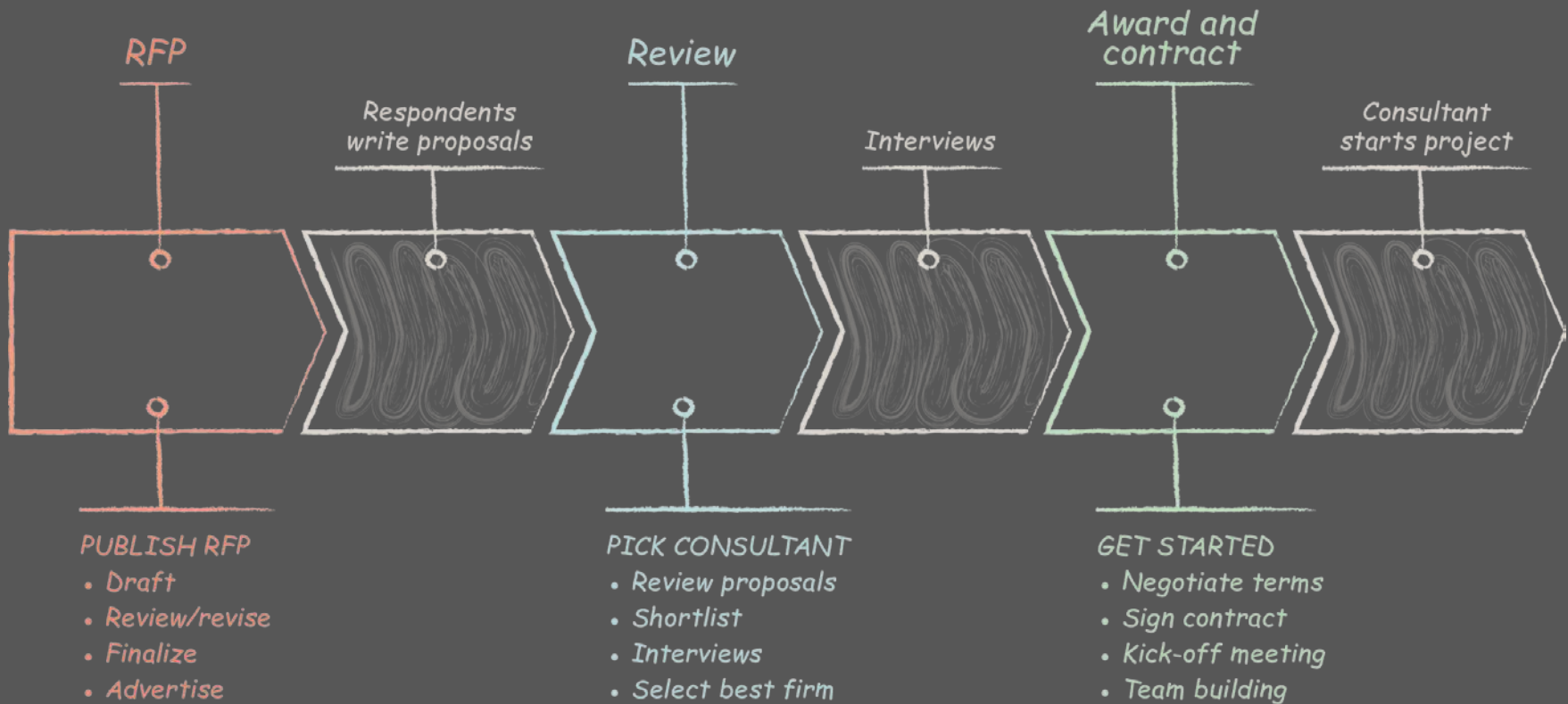
- *Comprehensive performance management*
- *Stringent project management and governance*
- *Optimal organization design and clear roles and responsibilities*



PPS programs build capability and engagement across all levels of the organization via a joint governance structure



In North America, PPS has been procured through a process based on procurement of consulting services



Our experience shows that 5-10% bottom line improvement in Opex can be achieved



NYC

\$139M
(11%)

Contract start
Nov 2011

\$89M

implemented



Pittsburgh

\$6M
(6%)

Contract start
Jul 2012

\$4M

implemented



\$5M
(12%)

Contract start
Apr 2014

**Targeted
bottom line
improvement
(Opex)**

**Contract
status**

Issues and challenges municipalities may face

Issues and challenges

Obstacle	Issue	Remedy
Political climate	<ul style="list-style-type: none"> • Inability to make progressive decisions due to political landscape • Conflicting and/or competing priorities prevent execution of initiatives 	<ul style="list-style-type: none"> • Conduct early political assessment to ensure clear mission and vision is understood • Build relationships and engage influencers early on • Program champions must stay involved and visible to the effort well beyond the opening “kick-off”
Cultural climate	<ul style="list-style-type: none"> • PPS model is fast-paced; some client cultures are not prepared for that dynamic, resulting in slow implementation • Low employee morale is a key factor in resistance to changes • Unfamiliarity with performance-based compensation for client employees; No “what’s in it for me?” 	<ul style="list-style-type: none"> • Develop a holistic understanding of the current cultural climate • Develop and execute a collaborative and agreed upon Change Management and Communication plans at the early onset of the program

Issues and challenges (cont.)

Obstacle	Issue	Remedy
Contractual complexities	Ambiguities are typically present. There is a need for flexible interpretation that is fair to both parties' understanding of the intent of the program	<ul style="list-style-type: none"> • Provide a clearly-defined path with roles, responsibilities and durations to approval(s) of post-study initiatives that are to be implemented • Provide clearly worked out examples of any/all compensation scenarios envisioned to occur. For example, if there is a shared benefit feature to the contract, demonstrate the calculation with realistic test values
Lack of leadership alignment	Leadership recognizes need to change but are misaligned as to 'how-to" get there; resulting in nothing getting done	<ul style="list-style-type: none"> • Create clarity around the details of initiatives and why they need to happen • Ensure alignment between organizational direction and the objectives of the change

Questions/Comments?

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(Infrastructure), BOC
Chief of Staff

DeKalb County



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ICMA
100th

ANNUAL CONFERENCE

Charlotte
Mecklenburg County

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