

Austin Resource Recovery Department Performance Review 2018 Report



OFFICE OF
PERFORMANCE
MANAGEMENT

We envision a City of Austin where continuous learning and improvement is in our DNA.

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Executive Summary

Upon the formation of the Office of Performance Management (OPM), one of its first assignments was to conduct a pilot of Departmental Performance Reviews in 2016. The first formal performance review of its kind for the City, the new office shepherded performance reviews for three departments. To close out the pilot, OPM was asked to conduct a similar review for Austin Resource Recovery. The OPM team is grateful to all the Austin Resource Recovery staff involved for their thoughtful contributions, openness, and insights to improve how we serve Austin.

A Departmental Performance Review is an occasion for introspection at a deeper level than annual business planning. As public servants face ever-increasing tugs at limited resources and bandwidth, where should they invest their energy? This report illuminates what is working and not working with findings of challenges or risks including related recommendations, suggested milestones, and resources. In addition, the report highlights opportunities for strengthening service levels and *Bright Spots* celebrating continuous improvement and undertakings that exemplify the City of Austin's values, vision and mission:

1. *Bright Spot:* Austin Resource Recovery Master Plan
 2. *Bright Spot:* Fleet Upgrades
 3. *Bright Spot:* Financial Management
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1. *Opportunities:* Magnitude of Service Area and Types
 2. *Opportunities:* Coordination with the Fleet Services Department
 3. *Opportunities:* Culture of Continuous Improvement
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1. *Challenges/Risks:* Recycling Commodities Market
 2. *Challenges/Risks:* Organics Program
 3. *Challenges/Risks:* Brownfields Grant Management
 4. *Challenges/Risks:* FM812 Landfill Post-Closure Costs
 5. *Challenges/Risks:* Customer Service Strategic Plan

Next Steps

This Report is an important step in the City's continuous improvement journey. As an internal consultancy division, the Office of Performance Management will assist the department in the execution of plans to address the various components of this review.

Our Strategic Intent

The City Manager launched the Office of Performance Management in December 2015 to lead the City's continuous improvement work and better serve Austin. The Office seeks to enhance the community-government trust equation through an integrated approach to performance excellence:

- Driving continuous improvement of overall organizational effectiveness and capabilities
- Continuously striving to accomplish strategic goals
- Promoting and supporting organizational and personal learning

The mission of the Office of Performance Management is to champion strategic planning, performance, and continuous improvement for the City to achieve customer-focused operational excellence.

The Components

Austin's performance management system encompasses:

- **Enterprise Effectiveness**
 - Adaptive Strategic Planning: Defined priorities and sustained conversations to ensure the organization is making progress and can easily/quickly adapt as necessary
 - Organizational Effectiveness & Impact: Strategic-based organizational alignment and data-driven decision-making mechanisms
 - Employee Engagement: Increased personal learning and awareness, understanding, and utilization of performance management programs and tools
- **Business/Performance Planning and Data Analytics**
 - Business Planning and Performance Metrics
 - Annual Community Survey
 - Establish best practices for data standards and analysis
 - Improve citywide data analytics capabilities
- **Integrated Continuous Improvement**
 - Continuous Improvement Training and Consultation based in Lean Six Sigma
- **Open Government:** Accountability, Transparency & Public Trust

Why Performance Management?

Performance management in the public sector is focused on systematically helping government to work better – with results experienced by the community. The following contribute to a healthy, high-performing organization:

- Know where the organization is, where it is going, and how it is progressing.
- Focus staff efforts on outcomes and results that align with strategic priorities.
- Embrace continuous improvement as a day-to-day activity, rather than a stand-alone practice to be implemented by specialists.
- Leverage performance data to reveal areas for improvement.
- Focus attention on the needs and experience of residents as “users” of the city.
- Open dialogue for determining how to do things better, cheaper, faster or more effectively.
- Advance organizational and personal learning with standards of quality and best practices.

Scope of Review Process

Objective: As part of the City of Austin’s commitment to continuously improving performance, the objective of each departmental performance review is to equip departments with tangible focus areas for improvement and to celebrate and encourage positive impacts.

Scope: The Performance Review process was developed by the Office of Performance Management (OPM) to accomplish the following:

- Review departments, programs, and cross-department issues for alignment with City priorities;
- Provide a means to formally verify and recognize "best managed" practices and policies;
- Provide greater understanding of service delivery, performance measures, and expenses and revenues required to deliver core services;
- Identify possible gaps in current service delivery or performance;
- Identify possible inefficiencies or duplication of services;
- Suggest changes to performance measures and targets;
- Assess staffing levels and span of control;
- Identify opportunities to consolidate or outsource services; and
- Recommend changes to (or reallocation of) line item budgets.

Approach

The Performance Review process began with the Department completing a comprehensive introspective self-evaluation focusing on its overall functions and history; customers, stakeholders, and services; Zero Waste goals, Master Plan; budget and horizon issues, fees, and fund summaries; and extensive performance data. The Office of Performance Management collected supporting information from performance reports/metrics, operational data, and other sources. Performance metrics, discussed in more detail below, are an integral component of gauging department operations and helped inform recommendations in this report.

Next an in-depth review and analysis of the self-evaluation and supporting information was conducted by OPM. Once the review and analysis was completed, the OPM and the Department conducted an extensive question-and-answer session to provide further information and clarification on the Department’s operations. Additional meetings and communications were conducted as needed.

Based on the self-evaluation, question-and-answer session, and additional research, OPM developed its recommendations based on findings, identified opportunities for strengthening service levels, and Bright Spots.

How this Report is Organized

The Departmental Performance Review Report is organized around the following sections:

- Bright Spots
- Opportunities
- Recommendations with Findings and Suggested Milestones

The review process uncovered shining examples worth sharing:

- **Bright Spots** – A showcase of “mini case studies” celebrating continuous improvement and undertakings that exemplify the City of Austin’s values, vision and mission.

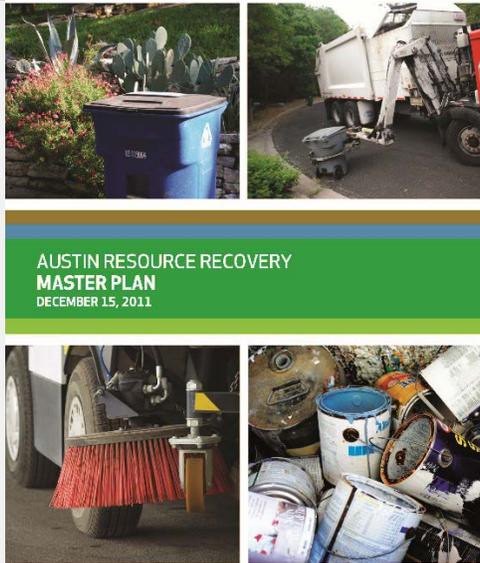
The review process also uncovered topics that had not necessarily reached a challenge or risk status, but rather create an “**Opportunity**” to either maintain an already high level of service or take it even further.

This report includes Findings related to overall department performance with Recommendations to address them. Recommendations are coupled with Suggested Milestones to help create traction and forward momentum; at the same time, departments are encouraged to invest time wrestling with these challenges to understand root causes, and build from these milestones in their plans moving forward.

- **Findings** – Underlying issues believed to be impacting departmental performance.
- **Recommendations** – Actions suggested by the Performance Review Team to address findings.
- **Suggested Milestones** – Not sure where to start? These are suggestions to guide next steps.

While departments are ultimately responsible to implement change, no one must “go it alone” so this report also includes some suggestions for resources. Departments may benefit from tapping expertise and resources that may be available inside or outside the organization. “Outsiders” can often complement departmental subject-matter expertise and provide fresh perspectives, deep experience, or neutral facilitation that frees up leaders to participate in a more engaged way. Within the organization, there is a strong willingness to help each other and a depth of capabilities ranging from strategic planning to organizational development, research, technology, engagement strategy and much more.

Bright Spot: Austin Resource Recovery Master Plan



AUSTIN RESOURCE RECOVERY
MASTER PLAN
DECEMBER 15, 2011

On December 15, 2011, the Austin City Council approved the Austin Resource Recovery Master Plan. The plan was developed through two years of research, stakeholder engagement and community input, and sets the stage for the Department's programs and services for the next 30 years and beyond. The plan created a juncture to establish clear benchmark goals and interim targets for the City's journey toward zero waste and values the role of residents, businesses, and visitors play in that journey. Operational excellence requires that an organization continually monitor and address performance, and the Master Plan supports this by establishing mechanisms for continued assessment and measurement of progress toward the stated goals. Additionally, the plan sets an expectation for it to drive transformation, evaluation, operational efficiencies, and organizational alignment.

Its utilization of guideposts (namely public education, quality assurance, and strategic planning) exhibits a strong commitment to operational excellence. Furthermore, the plan demonstrates the Department's significant role in the City's overall sustainability efforts. Last, ARR's plan is an adaptive, living document that is still actively used to design and develop the Department's core services.

For demonstrating:
Operational Excellence

Bright Spot: Fleet Upgrades



Austin Resource Recovery has continually made significant and meaningful investments in its fleet. Its replacement of diesel fueled vehicles with Compressed Natural Gas (CNG), hybrids, electrics and other alternative fuels is a testament to its commitment to reduce its carbon footprint in support of sustainability goals. In addition, the Department is committed to the health and safety of its employees by ensuring its vehicles are equipped with automated arms to collect and empty the various carts, and therefore significantly reduce opportunities for injury. Last, through ARR's commitment to continuous improvement, it has identified challenges for current vehicle technology and data management systems that in turn challenge efforts to reduce risk, improve customer services, and increase operational efficiencies. The Department has decided to implement a Vehicle Fleet Technology Upgrade in response. The upgrade will include GPS, radio frequency identification, automatic vehicle location units, touchscreen control displays, and improved reporting options. This will directly impact customer service accuracy, transparency, billing accuracy, routing efficiency, and employee safety.

For demonstrating:
Continuous Improvement

Bright Spot: Financial Management



Following an extensive cost of service analysis in 2011, Austin Resource Recovery has made significant improvements in its financial management. In fact, its approach for the cost of service analysis has since been used as a model for other departments. Through Fiscal Year 2011-12, the department had amassed an ending balance far beyond what is necessary in terms of financial reserves. Starting in Fiscal Year 2012-13, the department implemented efforts to reduce the balance to more practical levels in alignment with industry best practices. The added benefit of this effort was that it allowed the department to cover increased operating costs with zero to minimal impact on ratepayers.

In addition to the financial management practices noted above, the Department also committed significant time to examining its various organizational cost allocations and transfers, debt financing, and a zero-based budgeting exercise to strengthen its financial position going forward. Today, the Department continues to maintain the improvements resulting from the zero-based budgeting exercise and maintains an adequate ending balance in line with industry best practices.

For demonstrating:
Fiscal Responsibility

Opportunities

Based on information provided by Austin Resource Recovery (ARR) as well as further discussion with staff, the Office of Performance Management has identified several opportunities that may aid the Department's efforts for continuous improvement and operational efficiencies.

1. *Magnitude of Service Area and Types*

Austin Resource Recovery consistently provides a high level of customer service among its extensive combination of services and waste streams in a service area spanning approximately 278 square miles and 200,000 customers. That large service area can create difficulties in scheduling, routing and maintaining the high customer service levels expectation. Exacerbating this challenge is the fact that ARR operates from a single service center located on Todd Lane near State Highway 71. OPM recommends the department research scenarios to boost its capabilities and options to ensure it can maintain its high level of customer service. Among the scenarios the department should research is additional service center location options.

2. *Coordination with the Fleet Services Department*

ARR has noted it experiences periods of vehicle/equipment downtime due to the length of time required for repair and maintenance services completed by the City's Fleet Services Department. As a result, over time, it has purchased an excess of vehicles and equipment to bridge the down time. The City's Fleet Services Department provides services for the entire City, which includes a fleet of over 6000 units ranging from lawn mowers to fire engines. Its staff is strained to meet the growing fleet related needs of the organization. While efforts are underway to support Fleet's needs to best serve its customers, ARR should improve its communications and coordination efforts with Fleet and among ARR staff. In a prior department performance review of Fleet, a recommendation was made for improvements with communications and awareness among departments and their fleet liaisons to ensure everyone was fully informed on fleet processes, work status, etc. Similar work can also occur with the departments that have larger scale fleets, such as ARR. ARR should ensure that all staff impacted by various fleet needs are fully informed of and following all related processes and expectations while also continuing to build a high-quality working relationship with the Fleet Services staff. Last, ARR has and continues to make significant and positive investments in its fleet. Improved coordination and communication with the Fleet Services Department can only further the progress it has made through its fleet investments.

3. *Fully adopt a culture of continuous improvement supported by increased utilization of data and performance management software*

ARR made a conscious and positive investment in its capabilities around data collection and performance measures through the acquisition and implementation of a performance management software package. It greatly enhances the department's ability to accurately and consistently collect performance data that can have significant impacts on improving operations. ARR has fully transitioned its data collection and calculations into the system but has

not necessarily fully transitioned how it utilizes the information and software features on a regular basis. The department must integrate the use of data and performance measures into its work culture and daily operations. Once the department adopts a continuous improvement culture at all levels of the organization, they can use the data and performance measure information in combination with goals set in the Master Plan to better determine which processes and improvements they will tackle in the next day, week, month, or year. For example, the performance management software can facilitate management tools through its dashboard capabilities that can be used among field crews, executive leadership, and the entire department.

Challenges/Risks

(1) Recycling Commodities Market	
<p>Finding #1: The volatility of the recycling commodities market has created a tenuous financial situation for the department. Ensuring the ability to continue this service to the community in a cost-effective manner will require particularly detailed planning. The recycling program is also tremendously important to Zero Waste goals.</p>	<p>Evidence: Based on information provided by ARR, the recycling commodities market has been in a continual decline. ARR revenues have decreased nearly 36% despite a total tonnage collection increase of nearly 10% over the last five fiscal years. In addition, recycling processing contracts have been renegotiated and expenses have increased as well.</p>
<p>Recommendation #1: Develop a series of alternative approaches (scenario planning) to manage recycling commodities market volatility. Examples of factors the different scenarios should address include foreign and domestic regulations on recycling imports, materials contamination prevention, private sector service options, revenue/expense trends, community values/Zero Waste, etc. In addition, addressing local materials contamination can be positively impacted through the Customer Cart Check Program.</p>	<p>Suggested Milestones/Resources</p> <ul style="list-style-type: none"> ▪ Make proper resourcing for the Customer Cart Check Program a priority for the department to address contamination challenges and aid in reaching waste diversion goals. ▪ Austin Energy has significant experience in scenario planning that can be used as a template for ARR ▪ The Organizational Development Division of the Human Resources Department has staff skilled in scenario planning/facilitation.

(2) Organics Program

Finding #2: The Department has committed considerable resources into the expansion of its organics program. This program is reliant on one processing facility since the fires at the City owned processing facility. The private facility is located in East Austin creating potential operations and geographic challenges.

Evidence: The organics collection program is far-reaching as it includes yard trimmings, brush, food scraps, and compostable paper. Based on information provided by the Department and included its Master Plan, the program is dependent on the Hornsby Bend Biosolids Management Plant and a private processing facility. The expansion pilot was significantly delayed due to procurement challenges for the private processor.

Recommendation #2:

ARR should investigate contracting options for additional processing facilities to ensure uninterrupted service provision as well as geographic dispersion. Geographic dispersion will aid in service levels, for the north, south, west, and central portions of ARR's service area as well as savings related to routing and fuel costs.

Suggested Milestones/Resources

- Assess potential for the City owned facility resuming operations to support organics material processing. Collaborate with Austin Water accordingly.
- Assess potential alternative sites (either privately or City owned) throughout the city to aid in material processing.
- Evaluate the merit of a second procurement process for an additional organics processing contractor. Collaborate with the Purchasing Office accordingly.

(3) Brownfields Grant Management

Finding #3: The Brownfields Program has received significant grant funding in recent years (over \$1.5 million). The associated Revolving Loan Fund has created a notable amount of additional work for the two program staff members as it requires substantial documentation and complicated processes. While ARR did not have any significant findings in the last Single Audit Report, the complicated nature of the Revolving Loan Fund and related coordination with other departments utilizing the funding source creates a high potential for mistakes in the grant's management.

Evidence: Each year a Single Audit Report is conducted by the City's external auditor to report on the City's schedule of expenditures of federal awards and compliance with federal and state grant requirements. Despite clean opinions for the most recent report, the City has regularly had challenges in proper grant management that results in findings related to controls over compliance with grant requirements. Complicated grant programs create greater opportunities for future challenges and potential findings.

Recommendation #3:

Continue the important amount of coordination between ARR grant/finance staff, Controller's Office, and related departments. The initial department that ARR is working with to utilize the fund has experienced challenges with grant management (i.e. allowable expenses). Because of the decentralized finance operations throughout the City, associated disparate financial management approaches between departments, and general level of complication of the Revolving Loan Fund, the opportunity for errors is high and must be prevented by all possible means.

The Department should also establish clear stated and agreed upon frequent check points, ground rules, etc. with other departments utilizing the fund to ensure the greatest potential for compliance with grant requirements.

Suggested Milestones

- Create a checks and balance system between the ARR Brownfields Program staff and financial staff in coordination with the Controller's Office to ensure accountability, compliance, and consistent application of grant rules/requirements.
- Establish performance measures for the overall revolving loan program and specific utilizations of the program to allow for regular tracking of outcomes and results.
- Collaborate with the Controller's Office for guidance on established controls and compliance procedures used for other City operations.

(4) FM 812 Landfill Post-Closure Costs

Finding #4: Post-closure requirements and costs related to the FM 812 Landfill have continued to be a challenge for the Department. Capital costs for the landfill total over \$19.8 million between 2004 and the close of Fiscal Year 2016-17. An estimated \$2.7 million remains to be spent. These challenges raise concerns regarding overall planning and execution around the post-closure approach.

Evidence: Based on information provided by the Department, the FM812 landfill was closed earlier than planned due to airport proximity. While still in the process of official closure, costs have exceeded prior projections and maintaining compliance with its Landfill Reserve Financial Policy has been a challenge.

Recommendation #4:

The Department must reevaluate the overall requirements of the FM812 landfill closure to assess all funding needs (particularly how they will impact the department's clean community fee), schedules, and its plan for fulfilling its obligations to the Texas Commission on Environmental Quality and the department's landfill reserve financial policy.

Suggested Milestones/Resources

- Leverage learnings from the Department's financial management improvements in prior years to assess options for completed the landfill closure in the most cost-effective manner.
- Assemble all relevant ARR staff involved in the various facets of the landfill closure (i.e. program, financial, executive) together for a kaizen style or stat session to resolve remaining closure challenges. OPM staff are available to provide guidance on developing/conducting a kaizen or stat session.
- Collaborate with the Texas Commission on Environmental Quality for best practices and recommended next steps.

(5) Customer Service Strategic Plan

Finding #5: The experience the City provides its customers through its services is an immense opportunity to build trust. While the Department has shifted its organizational structure to increase its commitment to customer service, the Department does not have a clearly developed set of strategic goals for the customer service group to align its operations to.

Evidence: Based on information provided, the Department committed to the development of a customer service strategic plan in Fiscal Year 2017 to address deficiencies related to the understanding of its customer, customer service problems, and improving the customer experience. This plan has not been completed.

Recommendation #5:

To complement the Department's ongoing efforts to improve customer service, it should complete a root cause analysis process to clearly identify the source of all service deficiencies. This analysis should be strongly based on data analysis (i.e. 3-1-1 call and survey results data) and will allow the department to address causes as opposed to symptoms. Once the root cause analysis has been completed, the department should develop a strategic plan to establish clear plans and goals plus ensure its customer service group is properly aligned and resourced to address the deficiencies. Last, quality assurance efforts should be fully developed in a manner that not only establishes a clear process for customer service call auditing but also a means for regular assessments to ensure the process it still adequate.

Suggested Milestones/Resources

- Complete root cause analysis in advance of submitting the Department's Fiscal Year 2019 Proposed Budget to determine if there are any resource challenges that the budget might help address
- OPM and Human Resources – Organizational Development staff have expertise in strategic plan development and facilitation to assist the Department
- Fully utilize the grading criteria and procedures developed to assess customer service representative call quality. Develop mechanism to assess if the procedure is continuing to produce intended results.