



**Municipal League of King County & Municipal League Foundation
King County Government Reform Study Committee**

February 2011

County Reform—The First Year

SUMMARY OF KEY CONCLUSIONS

The Municipal League’s King County Government Reform study committee has observed the beginnings of an ambitious reform effort under Executive Dow Constantine and Deputy Executive Fred Jarrett. Responding to fiscal, workplace-culture and reputational challenges, the new administration has made a positive start on its reform agenda and County leaders should be recognized for their early accomplishments.

Key first steps have included the introduction of a performance-based management approach; the hiring and development of a new cadre of change leaders; strengthened relationships with labor; major process improvements at the Department of Development and Environmental Services (DDES); embrace of a major overhaul of Metro Transit’s service allocation policies and numerous additional streamlining and consolidation initiatives to control costs.

The Municipal League applauds these early results but it remains to be seen if the new thinking will permeate all parts of King County government and generate the promised three percent annual performance improvements aimed at closing the budget gap. We encourage the County to continue to direct resources and focus efforts in order to move beyond pilot projects and towards sustained cultural change.

OVERVIEW

Introduction

The Municipal League’s King County Government Reform Study committee has been meeting since June 2010 to review progress on a reform agenda proposed by County Executive Dow Constantine. The intent of the committee is to draw attention to some of the early successes, stimulate public dialogue about good government and to highlight opportunities for further government improvement.

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The committee is issuing this initial summary to provide an overview of the reform agenda, stimulate discussion about the results achieved to date, identify opportunities for potential improvement and highlight issues warranting further study. We recognize that meaningful change will take time to achieve. But we also feel that it is important to share our early observations with the public rather than waiting to issue a more comprehensive report.

Methodology

The Municipal League study committee consists of knowledgeable citizens representing a broad range of views. Committee members met with individuals from a wide variety of key stakeholder groups including labor, elected officials, County staff and representatives from several King County cities. The committee also reviewed presentations, studies and other documents pertaining to the County reform effort. The committee reviewed and analyzed information to identify successes, challenges, overarching themes and areas needing further inquiry.

King County: Growing in needs and challenges

King County government provides services to more than 1.9 million people County-wide. The County's services fall into two distinct categories: regional government and unincorporated area services.

Regional services are aimed at serving all people in the County. These services include transit, public health, courts, prosecution and defense of felonies, corrections, elections, property assessments, wastewater treatment, social services, regional parks, the Boeing Field airport and other programs. Unincorporated area services include: law enforcement, prosecution and defense of misdemeanors, roads, surface water management, land use and building permitting and other functions for these areas. The County provides these services with an annual budget of \$5 billion and roughly 14,000 employees.

Even in the best of times, providing services to a diverse and growing populace is challenging. County leaders must balance competing interests, navigate an intricate regulatory environment, understand complex funding streams, coordinate with multiple jurisdictions and often deal with heated political discourse. Meanwhile, most of the County's customers are largely unaware of the specific services that the County provides – until something goes wrong.

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Further complicating County management and governance is a systemic, decade-long imbalance between expenses and revenue growth. The recent economic slowdown has greatly exacerbated this situation. The recession of 2007-2008 may be behind us but recovery has been slow. The unemployment rate in the County remains high (8.7 percent in November 2010) and the housing market is still struggling. In King County, median home values dropped from \$440,000 in 2006 to \$375,000 in 2010, according to the Seattle Times. This economic turmoil has been hard on King County residents, private businesses and the public sector. Reduced spending on homes and goods means less tax revenue and a decline in assessed property values has increased some tax rates. Additionally, statewide initiatives such as I-747 have further limited revenue.

Declining revenues are only part of King County's problem. The County has experienced wages rising faster than inflation and significant increases in employee health insurance costs and needs to make substantially greater contributions to employee pensions to address underfunding.

By the fall of 2010, King County faced nearly a \$60 million budget shortfall.

A new Executive calls for reform

In November 2009, Dow Constantine was sworn in as King County Executive and began to flesh out his reform agenda. Constantine hired Fred Jarrett as Deputy Executive and Jarrett became the key architect of the reform initiative. The new administration introduced four key strategic plan goals:

1. Service excellence – Establishing a culture of customer service that is responsive to community needs
2. Financial stewardship – Exercising sound management and building the County's long-term fiscal health
3. Public engagement – Promoting public engagement that informs, involves and empowers people and communities
4. Quality workforce – Development and empowering County employees

With these service delivery goals in mind, the reform agenda aims to lower costs, increase productivity and improve public satisfaction.

Private sector performance improvement approaches such as Total Quality Management (TQM) and Lean business processes have long interested Deputy Executive Jarrett. Jarrett is knowledgeable about these approaches from his time at Boeing and his experiences as Mayor and council member of Mercer Island. A particular book provided specific insights about how these efforts might apply to government – "We Don't Make Widgets: Overcoming the

Myths That Keep Government from Radically Improving” (Ken Miller, 2006). Miller’s book challenges the notion that government work is too complex to measure, manage or improve. Instead, Miller advocates improving an organization by improving its systems or “the processes that produce widgets for customers to achieve results.”

Increasing efficiencies by focusing on results

The Executive’s plan for reform calls for rethinking *what* the County is in the business of delivering and *how* these goods and services are delivered. To do this, the County government must identify service “products,” create performance metrics to evaluate how well the products are being delivered and track the results over time. Specifically, the Executive announced a target of three percent annual performance gains across all departments.

In early 2010, the following initiatives were identified as first steps in the reform effort:

1. A pilot program in the Department of Development and Environmental Services
2. A pilot program in the Department of Transportation
3. Implementation of a portion of the Accountable Business Transformation Program (ABT) aimed at improving the County’s business processes for human resources and benefits
4. Training to encourage and support the development of a more performance-oriented, customer-focused culture

KEY FINDINGS

In only one year, the County has taken several important steps on this path to reform:

- Appointing and identifying change-leaders
- Strengthening relationships with labor
- Advancing process improvements at DDES
- Proposing an overhaul of Metro Transit service allocation policies
- Collaborating with cities on regional services
- Developing and implementing training and continuous improvement opportunities
- Standardizing and modernizing critical systems

Appointing and identifying change leaders

Interviews with a variety of stakeholders have revealed a strong support and cautious optimism about several of the County Executive's senior advisors and managers. County employees are looking to these leaders to help them understand and implement the reform agenda and external stakeholders are looking to them to change the way the County does business.

Strengthening labor relations

Organized labor is cooperating with the reform agenda to an extent that may surprise some longtime observers of King County. A new Office of Labor Relations has been established and a director has been appointed who has the confidence of labor representatives. Coalition bargaining has made the bargaining process more efficient and labor officials are taking seriously the Executive's commitment to solicit ideas for improvement from the rank and file. The acceptance by most unions of the Executive's proposal to forego cost-of-living increases in 2011 could not have been achieved without the improvement in labor relations that the new administration has fostered.

Advancing process improvements at DDES

The reform agenda identified DDES as a pilot project. DDES was in need of an overhaul. The department handles development in unincorporated County areas and drew criticism for poor customer service. (The Municipal League's 2009 study, *Rights, Wrongs and Reforms: Selected Issues on Land-Use*

Regulation within King County highlighted several areas in need of improvement.)

The DDES initiative included appointment of a new departmental head, John Starbard. At Starbard's direction, the department closely examined how it does business and how best to organize work to accomplish results. The change initiative is still underway, but already, there have been significant improvements. By focusing on end-products and value-to-customers rather than process measures such as billable hours, DDES determined that they could charge fixed fees for most services rather than hourly billing. An emphasis on flat fees rather than hourly fees and on new efficiencies in residential permit processing has demonstrated that it is possible to rethink work processes to increase productivity and improve customer satisfaction.

Additional changes are also being considered such as dividing staff into two groups (one with rural responsibility and the other with responsibilities inside the urban growth boundary) to better provide services and improve customer satisfaction, and potentially establishing a DDES presence at some satellite locations (such as city halls) to better reach customers and create work location efficiencies.

Proposing an overhaul of Metro Transit service allocation policies

The County Executive has embraced the recommendations of his appointed Regional Transit Task Force which align well with the Executive's focus on performance measurement and productivity. A key insight of the task force was the recognition that Metro's fixed-route service could be divided into four distinct service types. A careful allocation of all costs in the four categories of this "product catalog" is planned so that the Council will be able to make clear and transparent decisions on service allocation.

Those decisions would be guided by a policy framework recommended by the task force that emphasizes productivity (ridership, job location and land use), ensuring social equity and providing geographic value. These reforms were first called for in the Municipal League's 2008 report **Review of Metro Transit**, and we applaud the County's leadership in facilitating the process that led to these proposed reforms. The County Council and the Regional Transit Committee will be considering these proposals in the coming months and the League will be advocating for their adoption.

Collaborating with cities on regional services

During our committee's interviews we heard positive comments from local government representatives, organized labor, and others about the new administration's outreach and collaboration efforts. Examples cited included recent negotiations with cities on jail capacity and animal control services and meetings between separately elected County officials like the Executive, the Sheriff, the Prosecutor and the Assessor. Anecdotal feedback from stakeholders throughout King County suggests that the current administration is making a strong effort to truly listen to others, to understand their perspectives and to meet them halfway on how services can be best delivered.

Developing and implementing training and continuous improvement opportunities

Executive cabinet members participated in a concentrated change management seminar and were introduced to a curriculum that was later rolled out to employees, known as the "Front Runners" program. As of January 1, 2011, 100 County employees completed the program and additional trainings are planned. The purpose of the program is to encourage and support change management efforts (such as the three percent performance improvement challenge). The broader, "Be the Difference" initiative is aimed at supporting employee innovation and creating the capacity for change. While "Be the Difference" seems to be at the early stages of development, we are encouraged that the County recognizes the need for employee engagement, labor partnerships, ongoing training and other change management tactics.

Standardizing and modernizing critical systems

Several important steps are being taken to improve the County's collection and use of data and metrics. First, County officials report that the Accountable Business Transformation (ABT) program has already improved businesses processes for HR and benefits and the next phase is expected to include improved processes for financial, payroll and budget. ABT is informed by private and public sector best practices and is aimed at improving service delivery through timely, accurate and useful information. These are much needed improvements – for years the County has operated four entirely separate systems for accounting and HR. Although the ABT initiative started long before the current reform initiative, we think it is important to acknowledge the significance of reaching critical project milestones and aligning this infrastructure to support the reform agenda. Nonetheless, the

price tag of ABT is significant (\$77 million), so it will be critical that the County demonstrate a clear return-on-investment.

REMAINING QUESTIONS

Cultural change and meaningful reform are not overnight endeavors. We recognize that change will take time and are encouraged by the steps we have seen to date. In particular, we will be interested to see how the following issues are addressed:

Will the sense of urgency be sustained?

The upside of a fiscal crisis is a common focus, in this case - delivering needed public services with fewer resources. To do this, change is necessary. While crisis and fear may be strong motivators, they are also difficult to sustain over a longer period of time, particularly as the economy improves.

Will reform go to “scale”?

While process improvements at DDES are promising, it remains to be seen if this type of thinking will permeate other parts of the King County government. Broader buy-in will require strong champions, a shared sense of purpose across County departments, accountability for reform and capacity-building investments. The private sector has used incentives to seed major change initiatives, it remains to be seen if this can be done in the County setting. The “Be the Difference” component of the reform agenda aims to enhance the County’s capacity for change. In the coming months we will follow the progress of this initiative and will look for evidence of broader reforms.

What are the products of King County government?

County departments have been tasked with developing a clear sense of what “products” they deliver, what goals these products serve and how they will be measured. The metrics are intended to be able to demonstrate annual three percent productivity improvements. An initial draft version of the County “product catalog” will be released soon and will be refined throughout the course of the year. Ultimately, this catalog will be used to help measure the quality, timeliness and efficiency of service delivery.

Will performance measures be reported to the public in a timely, user-friendly manner?

Current efforts to share key metrics with the public are a step in the right direction. For example, Metro just launched a performance-measurement-oriented site <http://metro.kingcounty.gov/am/reports/monthly-measures/>. We are hopeful that the County will continue and enhance these efforts as they seek new and improved ways of engaging the public.

Will three percent performance improvements be obtained?

During our interviews and discussions we found a wide range of opinions about whether three percent performance improvements are realistic for County departments. Some feel that a thoughtful look at business processes and an eye for efficiency will make this goal very achievable. For example, the Department of Transportation's fleet division is pursuing strategies such as assigning underutilized vehicles to a pool with online dispatch, developing a mobile service team and continuing the purchase fuel-efficient replacement vehicles. Others we spoke with struggled to understand what could possibly be done to meet this goal every year. At the heart of the criticism was a concern that there may be three percent cuts, not performance improvements.

How will the reform agenda play out in the Department of Transportation?

In our initial briefings about the reform agenda, we were told that the Department of Transportation would be a reform pilot area. Later in the year, we learned that transit was the focus. We are disappointed that the Year One reform agenda did not include the broader Department of Transportation but are encouraged by early efforts within the transit division such as the Regional Transit Task Force's resource allocation framework and Metro's new monthly performance measures website. We hope that these efforts continue and are used as models for other County business units including other areas within the Department of Transportation. We understand that outside regulators and funders play a strong role in shaping the work-environment but these requirements shouldn't be used to justify the status quo.

What's the bottom line?

Ultimately, the public will judge the reform agenda based on results. Will improved systems, processes and efficiencies lead to better and more cost-effective services? Will the County's real and perceived culture change? Will

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the effort itself be cost-effective? And will the public value the results? We look forward to exploring these questions in our future observations.

NEXT STEPS

The Municipal League will continue to follow King County's reform efforts and will periodically report back to our members and the public. We welcome comments and feedback on these initial findings. If you are interested in sharing information with the committee or becoming involved in the monitoring process, please contact us at 206-622-8333 or email admin@munileague.org.

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Key Terms

Key Terms	Description
Accountable Business Transformation (ABT)	An effort to streamline, standardize and integrate business processes with countywide practices and systems. This includes replacing the legacy payroll (MSA) and the legacy finance (ARMS) systems from the 1970s with Oracle and PeopleSoft solutions. Learn more: http://www.kingcounty.gov/operations/ABT
AIMS High	A performance reporting system aimed at helping the public and policy makers understand social, economic, and environmental conditions throughout the County and what County government is doing to improve those conditions. It includes community indicators and performance measures. Learn more: http://your.kingcounty.gov/aimshigh/index.asp
“Be the Difference”	An effort to foster employee-driven innovation and a key component in implementing the reform agenda. Includes employee engagement, labor partnerships, leadership alignment, communications, a “change cabinet” and training such as “Front Runners”. Learn more: http://kcemployees.wordpress.com/
King County Strategic Plan (2010-2014)	A roadmap for King County government’s vision, goals and priorities. It is a key tool in the reform agenda, focused on customer service, partnerships and reducing costs. Learn more: http://www.kingcounty.gov/exec/strategy/StrategicPlan/CountyStratPlan.aspx
Front Runners	A training and capacity-building program aimed at identifying employees from across and at all levels of the organization and supporting them to make meaningful change in the organization.
“Lean”	(Also Lean Manufacturing and Lean Production). Derived from a management philosophy known as the Toyota Production System or “Just in Time” production and draws heavily on the work of W. Edwards Deming. Since Toyota’s success with this model, the approach has been applied in many industries and sectors (including government). The focus is on improving customer value by improving the production flow, adding value to the organization by developing people, and embarking on continuous improvement and organizational learning. Eliminating waste is an essential element of a “Lean” approach – anything that does not advance the process and increase value should be eliminated.
“Map the Difference”	A County effort to build a “product catalog” or a detailed reporting of the County’s specific work units. Examples of work units may include permits, standards, inspections, etc. This catalog is necessary so the County can effectively measure the quality, timeliness and efficiency of delivering these products.
“Measure the Difference”	A County effort to measure, analyze and report on key performance indicators.
Total Quality Management (TQM)	A management philosophy concerned with people and work processes that focuses on customer satisfaction and improving organizational performance. Requires a systematic approach to improving business activities in the interest of better serving customers.