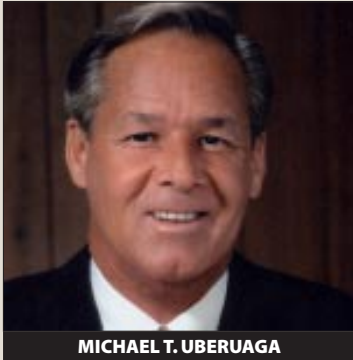


Program Excellence Award for Innovations in Local Government Management

POPULATIONS OF GREATER THAN 50,000



MICHAEL T. UBERUAGA

ICMA's Program Excellence Award for Innovations in Local Government Management in the greater-than-50,000 population category goes to the city of San Diego, California, and City Manager Michael T. Uberuaga for the city's Public Contract Operations program.

To harness the two powerful concepts of competition and the ability and dedication of public employees to meet every challenge, in 1998, policy makers in the city of San Diego, Calif. (pop. 1.3 million), implemented an optimization strategy within its Metropolitan Wastewater Department to deliver wastewater treatment and disposal services.

The Public Contract Operations program was developed in response to growing demand for greater public sector accountability, as well as the need to contend with the rise of multi-national competitors for delivery of wastewater treatment and disposal. The program is a formal partnership that strengthens labor-management relations by spotlighting and nurturing the

ingenuity and determination of public employees as they strive to provide the most efficient results. Employees are actively involved in the process, and the city provides monetary incentives and team-based awards for excellence in service delivery. The program's goal is to provide the best results for its diverse stakeholders, who include rate payers, policy makers, regulators, environmentalists, employees, regional visitors, and future generations.

The strategy also addresses problems associated with change by harnessing the benefits of competitive pressures without employing costly bidding processes. The local government maintains complete control over public assets, preserves the flexibility to respond to change by directly managing employees, and reserves the right to solicit competitive bids if public employees fail to deliver. The strategy also involves adapting the process used by the private sector to create competitive government budgets without compromising public trust.

Under this strategy, employees participate in designing acceptable service levels and then enter into a contract-like agreement with strong accountability provisions. If the successful provision of services costs less than the benchmarked budget, the "additional savings" are shared between the Sewer Enterprise Fund and the Employee Assurance Program. The Assurance Program is available to fund team-based, gain-sharing awards and other employee recommendations for reinvestments linked to improved workforce productivity or professionalism. Cash

awards from the gain-sharing program have been paid to more than 300 employees, totaling approximately \$6,000 per employee during the past three years.

The first Public Contract Operations agreement, which involved more than 300 employees, was established in 1998 to provide six years of regional wastewater treatment and disposal for a budget reduction of 18 percent with no deterioration in service levels. The 18 percent reduction translated into cumulative projected savings of about \$78 million. Further incentives were incorporated into the agreement to encourage additional savings. To date, projected savings and prescribed service levels have been achieved, and validated savings have totaled approximately \$53 million, reflecting steady productivity improvements. All eligible facilities have enjoyed outstanding performance records and full regulatory compliance during the three-year period.

In an arrangement where management demonstrates its belief in the capabilities of employees, provides them with the tools they need to succeed, empowers them to make and implement decisions to improve work processes, and rewards successful results, the public workforce can achieve superior performance.

Implementing the new ideas involved in re-engineering a public program means that employees assume greater levels of responsibility and commit themselves to meeting raised expectations for continuous improvement. San Diego's Public Contract Operations program demonstrates the power of teamwork and employee empowerment in



A strategy meeting of the Labor-Management partnership.