



# ORANGE COUNTY SANITATION DISTRICT

Memorandum

January 24, 2018

TO: Members of the Steering Committee

FROM: James D. Herberg, General Manager

SUBJECT: **Cost Savings Measures**

---

As the Board of Directors prepares to consider a new rate program in 2018, I want to share with you some of the many cost saving measures implemented during the past five years. Our ratepayers want to know they are getting a good return on their investment and that we are spending their fees to produce substantial benefits. In an effort to reduce costs, our employees are always looking for innovative ways to be more resourceful and efficient while ensuring we maintain our high standard of customer service.

The following list is a sample of some cost saving measures that support our overarching goal to contain costs and limit long-term liabilities to the Orange County Sanitation District (Sanitation District).

## FINANCIAL MANAGEMENT

- Beginning in 2014, the Sanitation District issued four debt financing refunding obligations that generated a total of \$67 million in net present value savings due to the lower interest rate environment.
- After issuing a request for proposal of custodian banking and investment management services, we have retained new firms with an annual cost savings of \$667,000.
- Since paying off the Sanitation District's Unfunded Actuarial Accrued Liability (Pension) over three years, the employer premium retirement contribution rate has decreased 72 percent since FY 2014-15.
- Transitioning to an insurance risk pool with California State Association of Counties resulted in a \$700,000 cost savings in comparison to the open market.
- We continue to maintain a AAA bond rating.

## ENVIRONMENTAL SERVICES

- After 12 years of certification, the Sanitation District became a Platinum Plus Graduate of the National Biosolids Partnership certification program and began the transition to our own internal set of performance standards for our Biosolids Program. This created an annual cost savings of \$200,000.

- After ten years of disinfecting our ocean discharge, we worked with State and Federal regulators to cease the disinfection process, yielding an annual savings of \$600,000 in chemical costs, while improving the health of marine life near the Sanitation District's ocean outfall.

## **WORKFORCE OPTIMIZATION**

- While increasing our level of treatment to meet full secondary standards, and operating and maintaining nearly \$600 million in new facilities, the Sanitation District's total authorized full-time equivalent (FTE) staffing level has decreased over the past ten years from 641 FTE in 2008-09 to 637 in 2017-18.
- The Sanitation District built partnerships with local colleges to develop a Vocational Internship Program to build a pipeline of potential entry-level candidates.
- To further ensure we have the right people with the right skills and abilities, we improved our recruitment process, speeding-up the time-to-fill for a vacant position and reducing the need for temporary staff and overtime.
- We implemented a new performance based compensation system for Executive Management and Managers based on established goals and objectives.
- We outsourced our Rideshare Program to include more accessible commute options, while increasing the average vehicle ridership and reducing air emissions.
- The Incentives for Sanitation District Employee Achievement (IDEA) program provides a way for employees to submit innovative cost saving ideas that improve procedures, working conditions and work methods. The program has brought forth ideas from employees that have created over \$2 million in annual savings.
- Through our Building Leadership Abilities and Skills for Tomorrow (BLAST) program, we are preparing journey-level staff to take on future leadership positions, ensuring a bench of competent staff to run the Sanitation District in the future.
- We are providing training – specific for first-year supervisors and staff who aspire to become supervisors – coaching and mentoring opportunities, job shadowing, professional and vocational internships, and tuition reimbursement to further ensure we have the right person, at the right time, in the right job.

## **OPERATIONS AND MAINTENANCE**

- Optimization studies resulted in re-negotiation of the grit and screenings contract, cooling CenGen engines with plant water, reducing Ferric Chloride for digesters and overall peroxide usage, resulting in a cost savings of \$2 million per year.
- The move to full secondary treatment at the Plant No. 2 treatment facility yielded cost savings in liquid oxygen plant operations, bleach and bisulfite costs in the amount of \$1 million per year.
- A comprehensive energy audit found that we can save an estimated \$700,000 annual savings in lighting costs within nine years.

- Implementation of cutting-edge catalytic converter technology helped to reduce emissions from the central generation engines which allowed all eight engines to operate simultaneously, creating an annual cost savings of \$700,000 per year.

## **ENGINEERING**

- We are nearing completion of sludge dewatering projects which will result in four less truckloads of biosolids per day yielding an ongoing savings of \$3.7 million per year.
- We received grant funds for several projects, reducing the cost of these projects by nearly \$2.5 million:
  - Sludge Dewatering and Odor Control at Plant No. 1 (\$1 million)
  - Newhope-Placentia Trunk Replacement (\$1 million)
  - WaterSMART Grant to share with the Orange County Water District (\$450,000)

## **PLANNING FOR THE FUTURE**

- I am recommending organizational changes to the Steering Committee that will streamline our Executive Management Team and increase our focus on the rehabilitation and maintenance of our infrastructure, while better positioning our agency for leadership succession.