



THE PRINCE GEORGE'S COUNTY GOVERNMENT

(301) 952-3700

County Council

MEMORANDUM

APR 27 2016

TO: Todd M. Turner, Chair
Transportation, Housing and Environment Committee

FROM: Hawi Sanu, Director ^{HS}
Transportation, Housing and Environment Committee

THRU: Robert J. Williams ^{R.J.W.}
Council Administrator

RE: WSSC FY'17 Operating Budget

I. Overview of WSSC Operating Budget

1. Total Proposed Budget (all funds) - **(Attachment 1)** - The FY'17 Operating Budget of \$735.5 million represents an increase of \$20.4 million or 2.8% over the FY'16 budget of \$715.1 million. The need for significant capital investments in the Commission's aging infrastructure continues to be a significant issue for WSSC. This is evident from the fact that debt service for WSSC's extensive capital program is the single largest expenditure in the Operating Budget. The primary drivers of the increase in operating costs are water and sewer debt service, expansion of the Large Valve Program, salary enhancements and increasing regulatory requirements. In addition to increasing costs, the Commission is generating less revenues even as the number of customer accounts has increased by 21.6% since 1997; water production continues to decline which means less revenue. Some of these costs are partially offset by reduced general bond expenses, and costs decreases for regional sewage disposal, and chemicals.
2. The proposed FY'17 Water Operating Fund is \$321.4 million, increasing by approximately \$18.2 million (6.0%); the Sewer Operating Fund is \$394.8 million, increasing by approximately \$4.3 million (1.1%); and the General Bond Debt Service Fund is \$19.4 million, decreasing by approximately \$2.1 million (10%). These comparisons are being made to the FY 2016 Approved Operating Budget. The Proposed FY'17 Water and Sewer Operating Budget provides for a 3% water and sewer rate increase with the final phase-in of the Infrastructure Investment Fee. This fee would provide a dedicated, predictable and transparent funding source for the Commission's large and small diameter water and sewer pipe reconstruction program. The Infrastructure Investment Fee was phased in over a 2 year period (FY'16 and FY'17) as was recommended by both counties during the spending affordability process. The impact on an average monthly bill for a residential customer with ¾" meter, using 145 gallons per day will be \$3.28 per month or \$9.84 per quarter.
3. Debt Service accounts for \$261.4 million (35.6%) of the overall operating budget **(Attachment 2)**. Water and Sewer debt service comprises 93.3% of this debt, while the remaining 6.7% is debt service on Front Foot Benefit Charges (FFBC) lines, which is separate and apart from the water and sewer operating funds and does not impact the water and sewer rates. Expenditures in the General Bond Debt Service Fund are almost entirely debt service.

4. Salaries and wages represent 15.9% of gross operating cost, and show an increase of 4.4% from FY'16. For budgeting purposes, a pool of \$5.5 million is included in the Proposed Operating Budget for salary enhancements. This amount represents a 3% COLA and a 3% merit increase plus \$119,600 in IT bonuses. The specific use of these funds will be determined during the budget approval process as Prince George's and Montgomery Counties decide how they will address salary enhancements for their employees.
5. The primary sources of revenue supporting the operating budget come from the water and sewer use rates (Water and Sewer Operating Funds), Ready-to Serve Fees and Front Foot Benefit and Deferred House Connection Charges (General Bond Debt Service Fund) (**Attachment 3**)
6. In the Water and Sewer Operating Funds, \$ 578.4 million in revenues (excluding offsets and use of fund balance) come from water and sewer consumption charges. (**Attachment 4**) Revenues are assumed based on a water production level of 164 MGD, a decrease from 166 MGD that was included in the FY'16 Approved Budget. In FY'15, 168 MGD was included in the approved budget; however the actual water production was 162.9 MGD. The new account maintenance fee has been recalibrated to fully recoup the costs associated with billing, meter reading and meter services. This fee is expected to generate \$32.4 million in FY'16; In FY'17, the account maintenance fees proposed will generate \$32.6 million. The Infrastructure Investment fee is expected to generate \$19.4 million in FY'16 at the 50% phase-in; approximately \$39.0 will be generated in FY'17 with the 100% phase-in within the proposed budget.
7. Other revenues of note include the Reconstruction Debt Service Offset (REDO). This was established in FY'83 and uses surplus funds in the General Bond Debt Service account to offset a portion of the debt service costs of the Systems Reconstruction Program, thereby benefiting all ratepayers. The Offset, a transfer of funds from the General Bond Debt Service to the Water and Sewer Operating Funds, is set at \$9.8 million, an increase of \$1.3 million from the FY'16 approved amount. When the unallocated balance in the General Bond Debt Service Fund is exhausted, the associated expenses will have to be incorporated into the rate structure.
8. The WSSC ended FY'15 with \$139.5 million fund balance in the Water and Sewer Operating Funds. WSSC currently anticipates ending the FY'16 with \$62.3 million in fund balance for the Water and Sewer Operating Funds (not including the \$61.9 million FY'16 operating reserve). The FY'17 Budget proposes using \$6.5 million of fund balance (an increase of \$200,000 compared to the FY'16 Approved Budget) towards the operating reserve. This contribution will maintain the reserve at 10% of water and sewer rate revenues.
9. **Operating Expenditures - Water and Sewer Operating Funds**
 - Debt Service - \$243.8 million, representing an \$8.2 million increase (3.5%) from the FY'16 Approved Budget level.
 - Salaries and Wages - \$116.9 million, representing a \$5.0 million increase (4.4%) above the FY'16 Approved Budget.
 - Regional Sewage Disposal - \$51.6 million, representing a \$3.3 million decrease (6.0%) from the FY'16 Approved Budget.
10. **Spending Affordability** – In September of 2015, staff of Prince George's and Montgomery Counties, with staff of the WSSC met to discuss the spending affordability limits for FY'17. The rehabilitation and maintenance of buried assets continued to be the area that needed the most resources. The Bi-County Infrastructure Funding Work Group had recommended that WSSC create a new fixed **Infrastructure Investment Fee**. This fee was phased in at 50% in FY'16 and will be fully implemented at 100% in the FY'17 proposed budget.

- A base case, which represented FY 2016 with the full Infrastructure Funding Fees, which was part of the FY 2016 SAR recommendation, calculated a rate increase of 4.4%. (Scenario #1)
- For comparison purposes, an assumption that the new rate structure was not adopted calculated a rate increase of 7.5%. (Scenario #4)

WSSC FY 2017 SPENDING CONTROL LIMITS SCENARIOS

SCENARIOS	RATE INCREASE	MONTHLY RATE IMPACT FOR 160GPD	INFRASTRUCTURE INVESTMENT FEES	EFFECTIVE RATE	TOTAL MONTHLY INCREASE AT 160 GPD
Base Case with AMF and IFF phased in (Attachment 1)	4.40%	\$2.36	\$2.00	7.10%	\$4.36
Base Case with AMF , No IFF Phase In (Attachment 2)	7.80%	\$4.19	\$0.00	6.80%	\$4.19
Base Case with AMF and IFF phased in - with Additional & reinstated Programs (Attachment 3)	5.00%	* \$2.70	\$2.00	7.60%	\$4.70
FY'15 Status Quo (No AMF, IFF or A&R) - (Attachment 4)	7.50%	\$4.15	\$0.00	7.01%	\$4.15

*This scenario only represents additional and reinstated programs of \$3,599,000

WSSC FY 2017 SPENDING CONTROL LIMITS - RECOMMENDED SCENARIO

SCENARIO	W/S RATE INCREASE AVERAGE \$ IMPACT	INFRASTRUCTURE RENEWAL FEES AVERAGE \$ IMPACT	TOTAL AVERAGE IMPACT
Scenario 3, restrained at 3.5% rate increase, and full Infrastructure Fees with A/R	\$1.89	\$2.00	\$3.89
NOTE: This scenario assumes \$26.1 million use of Fund Balance and \$8.6 Million in unspecified reductions			
Rate Increase	3.5%		
Operating Budget	\$729,168,000		
Debt Service Expense	\$250,762,000		
New Debt	\$476,810,000		
Debt Service Ratio (Debt Service / Budget)	34.4%		

Both Councils' recommendations were 3.5% with an average impact of \$4.71; however The FY'17 proposed budget submitted is 3% with an average impact of \$3.28 per month; this represents an average bill increase of 6.5% for a customer using 145 million gallons per day.

11. **GASB 45 Requirement:** The Governmental Accounting Standards Board (GASB) issued Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions* (OPEB). Starting in FY08, jurisdictions with more than \$100 million in annual revenue were required to disclose their liability for OPEB. Most governments were funding these benefits on a pay-as-you-go basis. WSSC's annual required contribution under GASB 45 was approximately \$19 million; PAYGO amount was approximately \$9 million. In order to be able to use the most favorable discount rates, governments must not only fund the annual required contribution but must also adopt a formal policy committing to do that and create an irrevocable trust to hold the funds. A resolution adopting a five-year funding schedule and adoption of a trust agreement for OPEB was adopted in May 2007. In January 2009, WSSC Commissioners adopted a resolution changing from a five year phase-in to an eight year phase-in, which completed in FY'15. WSSC is compliant with the GASB 45 requirement.

II. Updates

1. Bi- County Infrastructure Funding Work Group

Due to the constant rate increases by the Washington Suburban Sanitary Commission, (WSSC), there was a need to create a dedicated revenue source that will not be exclusively dependent on water and sewer rates. The growing need for the infrastructure rehabilitation and reconstruction warranted the Commission to be financially structured to accommodate these financial challenges. The Work Group, in collaboration with a renowned consultant, recommended several steps that enabled the Commission to meet its financial goals.

They were as follows:

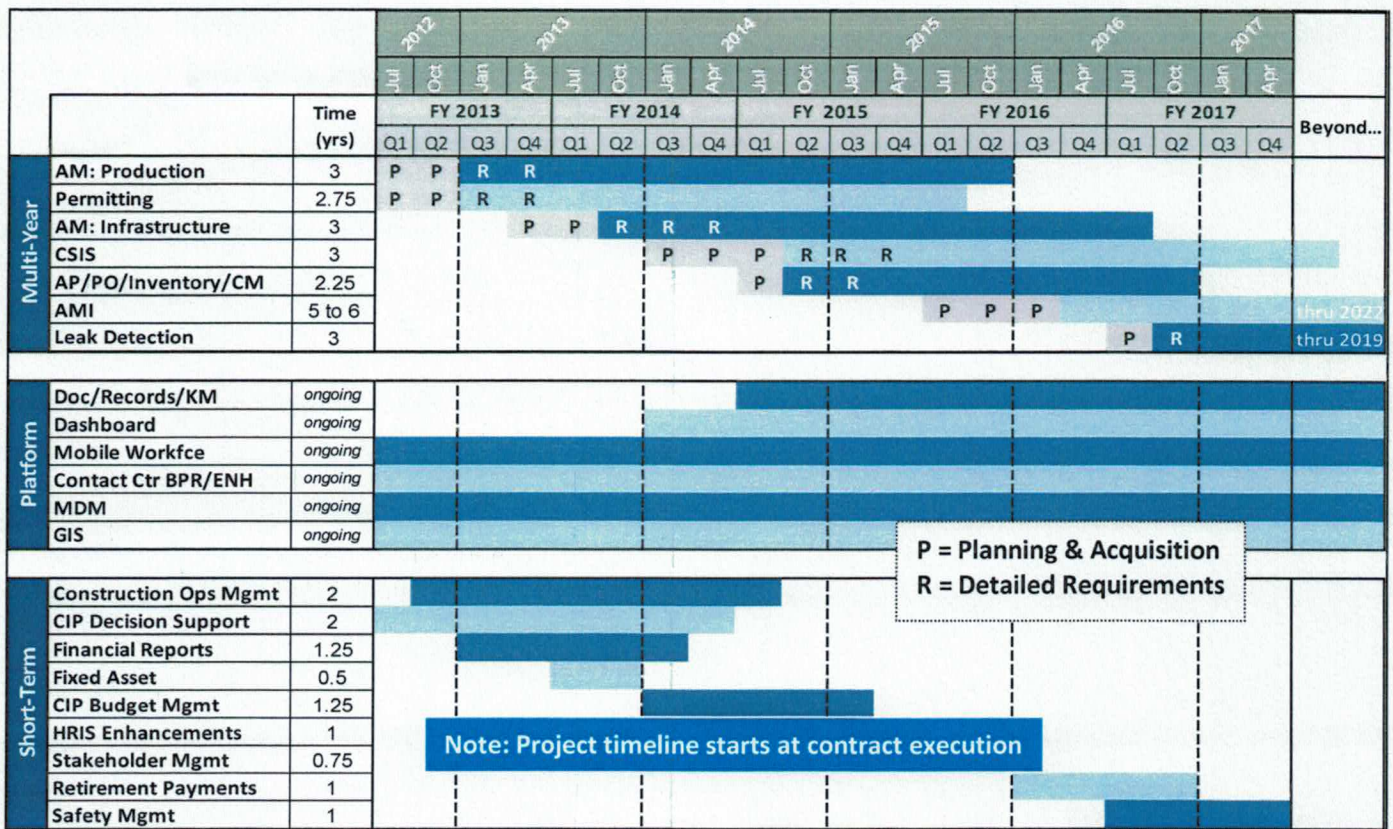
- Increase the terms on new debt from 20 to 30 years and maintain a debt service coverage target of 1.25X. (This was implemented in the FY'14 Approved Budget and resulted in a 2% rate reduction for FY'15).
- Excess cash flow used as PAYGO capital funding to reduce borrowing.
- Creation of a dedicated infrastructure Investment Fee; was implemented at a 50% phase-in for the FY'16 approved budget; the 100% phase-in is in the FY'17 Proposed Budget.
- The aim was to have the Commission become less reliant on rate increases, and move to a more definite and fixed source of revenue. The FY 2017 proposed budget reflects the total recommendation of this Work Group as outlined above.

2. WSSC Information Technology Strategic Plan - Development & Implementation

Status as of December 2015

In 2012, WSSC IT developed a comprehensive 5-Year Information Technology Strategic Plan (ITSP). The ITSP, developed in partnership with all of the WSSC business teams and administrative offices, charted out a 5-year systems development timeline for WSSC and was adopted by the Commission on December 19, 2012 by Resolution 2013-1987.

The strategic priorities of the Commission as a whole guided the ITSP. Unlike the ERP Plan whose objective was to replace legacy systems, the new ITSP took a broader, more holistic approach and developed a 5-year technology agenda based on the totality of Commission needs and a clear vision of a future-state WSSC that is highly customer-focused and operationally efficient. Implementation sequencing recommendations, depicted below, was based on careful consideration of the Commission's priorities, operational risk of status-quo systems, and implementation readiness of business units, organizational capacity, and urgency of needs. Since 2013, WSSC's system development efforts have been guided by the roadmap proposed in the ITSP.



Significant progress made on system implementation initiatives in FY2014/FY2015:

Significant progress was made this last calendar year across many Enterprise Technology Initiative areas. Most notably:

1. Asset Management: Production (Phase1) for COMPASS replacement was completed and is now in production; implementation activities on Asset Management: Infrastructure is underway and is on target for completion in Q1, FY 2017.
2. Permits Management System: implementation 90% complete. Currently preparing for final stages of User Acceptance Testing (UAT) as well as communication and Training/Role-out Plan. Scheduled go-live date of Q1, FY2017 is on target per ITSP.
3. CIP Decision Support System (RUMA): Implementation completed on schedule (FY 2014), system in production. CIP AMP/DSS completed and are in production.
4. Financial Reporting System: Implementation in progress. The first analytics module (Procure and Spend) went live. Phase 1 of HR analytics implementation completed and is now in production. Phase I of Customer Service (call center) analytics has also been completed and in production (this system is being extensively leveraged by WSSC's newly launched Customer Service Improvement Project). Budget/GL analytics Phase I have been delivered to the business organization (note: system will require further iterations as Contracts Management, A/P, and CIS implementations are rolled out.)
5. Customer Information System (CIS): Phase I Requirements Development completed. Proof of Concept (POC) project initiated and progressing according to plan. Software acquisition process has been completed. System implementation on schedule per ITSP- Project 35% complete.
6. Contracts Management (CM) system, Accounts Payables (A/P) Phase I implementation has been completed. PO/GL implementation integration in planning phase and is on target per ITSP.

7. Inventory System implementation has been completed and is in production as of Q3, FY 2015.

Master Data Management: Phase 1 completed, with vertical asset data stored into MDM hub. Further rollout deferred until other key business systems are rolled out (AP and CIS).

8. Contact Center BPR/ Enhancements: Contact Center Optimization Phase I completed. Phase II tasks (Start/Stop/Pause, Callback, IVR Refinements) will be delivered FY 2016.
9. Dashboard: Currently in the implementation stage and on schedule. Customer Care departmental, CPO, CFO and Production Chief Dashboard delivered and in production. Engineering, Communications Team, GM, DGM's Performance dashboards are under development.
10. GIS: Continued implementation of upgrades and enhancements is ongoing and on-schedule.
11. Construction Management System: Phase I completed. Phase II development 95% complete.
12. Mobile Workforce Management: Full-scale rollout of wireless modems to WSSC fleet completed. Integration refinements with WAM and future CIS will be a continuing effort.
13. Modular Data Center: Acquisition completed and contract signed. Data Centers pods now under construction at vendor facility. Delivery expected late summer.
14. HRIS/Finance Position Control System implementation completed, Applicant Portal, Performance Management Systems are in production. Advanced benefit implantation under development phase. Project completed 90%.
15. Financial Disclosure/COI Solution implemented in Q3, FY 2014.
16. Electronic Security System project initiated in FY 2015 and is well on track.
17. Enterprise Learning Management System (LMS) upgrade also completed in FY 2014.
18. Advanced Metering Infrastructure project initiated in FY 2016. Project 5% complete.
19. Safety Management System 90% complete.

Past Expenses and Projected FY16-17 Spending on Enterprise Technology Initiatives (ETI)

Excluding in-house FTE and depreciable asset costs, the total costs for Enterprise Technology Modernization Initiatives (ETI) to date from FY09 through FY12 totals \$6,286,576. In FY13, \$4,584,661 was spent (excluding in-house FTE and depreciable asset costs) on ERP and other Enterprise Technology Initiatives (ETI). WSSC spent \$9,653,278 in FY14 on ERP and other Enterprise Technology Initiatives (ETI). In FY15, \$15,900,700 was budgeted and \$14,100,000 was spent. In FY16, \$14,984,200 was budgeted but expected spending will be approximately \$14,000,000. FY 2017 budget request for Enterprise Technology Initiatives (ETI) was approved at \$22,000,000.

3. Customer Affordability Program

Based on recommendations by the Bi-County Infrastructure Funding Work-Group, WSSC created a more robust customer assistance program, (CAP) to target the economically disadvantaged customers. The MEAP guidelines are being utilized because it is an existing assistance program; CAP started on July 1st, 2016 and has already reached over four thousand customers. For FY'17, the required CAP revenue offset has been increased from \$1.7 million to \$2.2 million. In the first four months of the fiscal year, WSSC provided approximately \$193,000 in reduced bills to low income customers through its new CAP.

The Estimated annual cost for Customer Assistance Program:

- FY'16 Budget - \$1.7 million - FY'16 Projection - \$636,000
- FY'17 Proposed Budget - \$2.2 million - FY'17 Projection - \$1,344,000

Estimated number of customers in Program:

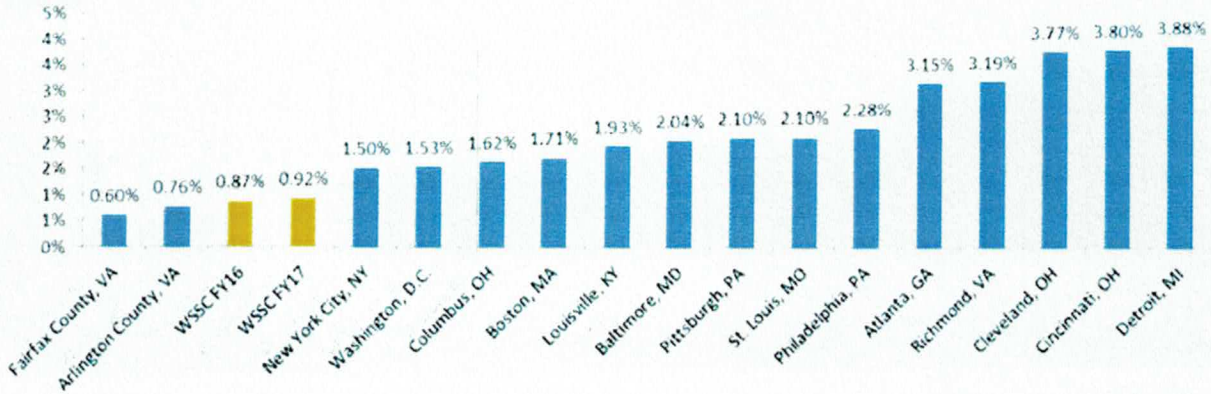
- FY'16 – 19,900 (used to calculate lost revenue) - FY'16 – 7,223 enrollees
- FY'17 – 19,550 (used to calculate lost revenue) - FY'17 – 12,000 projected enrollees

The customer enrollee estimates used to project revenue losses are based on the average number of Prince George's and Montgomery County households receiving energy assistance over a five-year period. The challenge is matching WSSC accounts with residential customers enrolled in Maryland's Office of Home Energy Program and providing credits to tenants in multi-unit homes. The Customer Assistance Program steering committee is working on the details on how to provide credits to tenants in multi-unit homes. **Staff recommends using the FY 17 projected revenue losses amount rather than the proposed budget amount to calculate lost revenue for an adjustment of (\$856,000).**

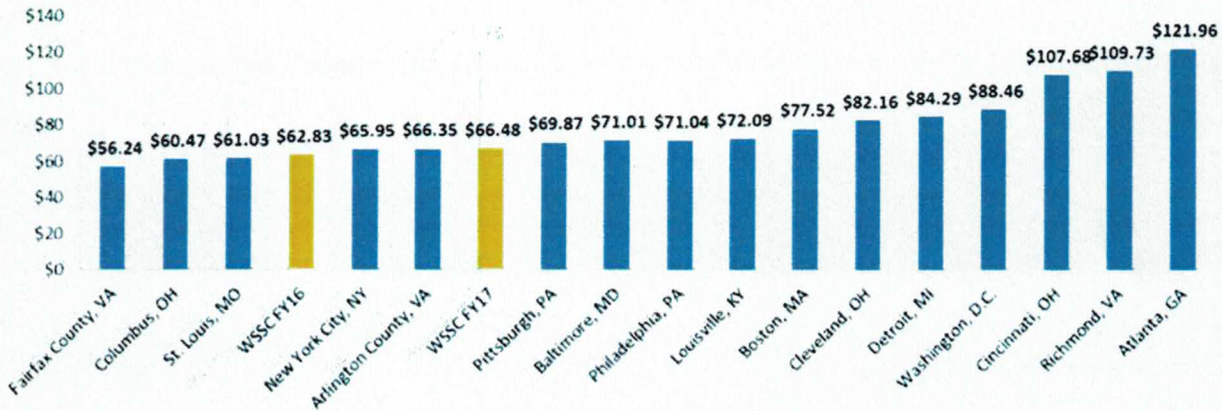
4. Performance Measures and Benchmarking Study

In the fall of 2015, WSSC commissioned a benchmarking study to provide an independent review of WSSC's efficiency and effectiveness compared to industry peers and similar privately operated systems. The consultants of Veolia and Juggernaut were hired to review seven functional areas: Water Treatment, Customer Service, Wastewater Treatment, Field Services, Fleet Logistics, CIP / Asset Management and Procurement. The consultants will identify current and relevant metrics, and similar peer utilities for comparison and account for relevant explanatory factors. The aim is to do a top down evaluation by collecting and evaluating relevant data; conducting interviews at executive and management levels to validate data, practices and metrics and scoring the performance of WSSC. Once low performance areas are identified, the potential for improvements would be determined. The study is still in its preliminary stages; however since affordability has always risen to the top of customer's concerns, some preliminary data has been produced as it pertains to Prince Georges County:

Average Monthly Bill Comparison as a Percentage of Median Income
(5000 GPM Avg)



2016 Residential Monthly Water/Sewer Bill Comparison
(5000 GPM Avg)



5. Comprehensive Rate Study

The Bi-County Workgroup recommended a rate study as part of WSSC's path toward total transparency and financial viability. The Municipal & Financial Services Group along with PEER Consultants, PC completed a Water and Sewer Rate Study in January 2014. WSSC's volumetric rate scale accounts for 95 percent of its revenue; however water production over the past decade has been completely flat and in some cases declining even as the number of customer accounts has steadily increased. This reduction has translated to flat or sometimes reduced revenues and is further compounded by WSSC's graduated rate structure. The consultants had also recommended a more comprehensive rate study, to which both Councils concurred during the Spending Affordability Process in the fall of 2015. A scope of work has been drafted. WSSC is currently in the process of procuring a vendor to conduct the comprehensive rate study. A vendor should be selected by the end of FY 2016.

The Comprehensive Cost of Service Analysis and Rate Study will consist of the following phases:

- Phase I.A – Public Outreach / Education Program should start by October 1st, 2017
- Phase I.B – Rate Design Objectives & Policy Review
- Phase II – Development of Specific Cost of Service/Rate Study Based on Best Rate Design
- Phase III – Implementation

6. Minority Business Enterprise – Update as of February 2016

Total Contract Payments: \$380,799,861
Total Contract Awards: \$325,953,474

M/WBE Contract Payments Percentage: 21%
M/WBE Contract Award Percentage: 26 %

a. Disparity Study Project

The Disparity Study Executive Steering Committee met on February 27, 2016. MGT of America, the consultant, performing the study on behalf of WSSC, is scheduled to complete and deliver the Disparity Study Report by April 30, 2016. Currently, telephone interviews and surveys are being conducted within the business community in an effort to gather anecdotal information related to the Disparity Study. The business and vendor communities were notified about this activity via electronic mail and Press Release and encouraged to participate if they are contacted by MGT of America. The interviews and surveys were concluded on March 31, 2016.

b. SLMBE Office Outreach Efforts

WSSC's SLMBE Office was involved in the following outreach events in an effort to increase supplier/vendor participation in WSSC's contracting opportunities and processes:

- On February 5, 2016, the SLMBE Office attended the Baltimore Washington Chamber of Commerce (BWCC) Women in Business (WIB) event. The event featured a panel of successful women entrepreneurs and professionals discussing how they overcame the challenges of success in their professional and personal lives. There were approximately 30 attendees.
- On February 23, 2016, the SLMBE Office attended the Small Business Event: "Financing Options to Grow & Sustain Your Enterprise" hosted by Congresswoman Donna Edwards. The event featured a set of plenary sessions designed to help small businesses. The SLMBE Director served on the panel discussion entitled "Snagging a Spot on the Shelf," in which experts shared how small businesses can start and maintain relationships with companies. There were approximately 50 attendees.
- On February 23, 2016, the SLMBE Office attended the Women's President Education Organization (WPEO) Corporate Roundtable at the Hilton Worldwide in McLean, Virginia. The roundtable discussed best practices with Mentor-Protégé Programs. This event is held annually for corporate members to share best practices in the supplier diversity industry. There were approximately 30 corporate members in attendance.
- On February 23, 2016, the SLMBE Office hosted its monthly web-based compliance workshops to train internal and external stakeholders. The external stakeholders were trained on how to enter invoices and payments in WSSC's web-based compliance system. Internal stakeholders were trained on how to best utilize and operate the system to effectively monitor and track contract performance and payments. Ten trainees attended the training sessions.
- On February 25, 2016, the SLMBE Director received the Black History Month "Black History Hero" award from the Maryland Washington Minority Companies Association (MWMCA) at the 2016 Black History Month Celebration. A total of 14 Black History Heroes were honored at this event. Several WSSC employees were in attendance to support the SLMBE Director, including the WSSC General Manager/Chief Executive Officer and the Deputy General Manager for Strategic Partnerships. There were approximately 100 attendees.
- On February 29, 2016, the SLMBE Office, in conjunction with the Strategic Sourcing Team (SST) for Fleet hosted the inaugural Fleet Event. The event provided suppliers/vendors with an opportunity to meet representatives from WSSC's Fleet and Logistics operations and other local organizations' Fleet contracting personnel in the greater Washington Metropolitan area, to discuss the procurement of fleet, fuel, tires, maintenance and equipment. This included representation from the Greater Washington Region Clean Cities Coalition, Maryland State Highway Administration, Montgomery County Division of Fleet Management Services, City of Baltimore, Prince George's County Office of Central Services and the University of Maryland, Motor Transportation Services. The event also featured demonstrations of some of the WSSC's vehicles. There were approximately 40 attendees.

MWBE TOTAL CONTRACT PAYMENT AND AWARD DATA

Summary - Total Contract Payments to MWBE Firms

Fiscal Year-To-Date

Contracting Area	M/WBE\$**	M/WBE%**	MBE \$	WBE \$	Majority \$	Total Contract Payments
A/E Services	\$ 11,946,355	37%	\$ 11,739,844	\$ 206,511	\$ 20,046,692	\$ 31,993,047
Construction Services	\$ 31,416,940	14%	\$ 31,251,187	\$ 165,753	\$ 188,253,883	\$ 219,670,823
Goods and Services	\$ 22,459,832	24%	\$ 15,576,370	\$ 6,883,462	\$ 69,907,199	\$ 92,367,031
Professional Services	\$ 13,817,636	38%	\$ 10,407,319	\$ 3,410,317	\$ 22,951,324	\$ 36,768,960
Totals	\$ 79,640,763	21%	\$ 68,974,720	\$ 10,666,043	\$ 301,159,098	\$ 380,799,861

Note: numbers are rounded to the nearest whole dollar

FISCAL YTD M/WBE VALIDATED SUBCONTRACT PAYMENTS: \$4,191,266 in A&E Payments; \$3,121,093 in Construction Payments; \$2,298,393 in Goods and Services Payments; and \$1,445,325 in Professional Services Payments

**MWBE includes Certified-MBE and WBE firms (displayed for reporting purposes only.)

The Total Contract Payments FYTD is \$380,799,861 of which \$11,056,077 is FYTD M/WBE validated Subcontract Payments. These validated M/WBE Subcontract Payments have been subtracted from the Majority Contract Payments and added to the M/WBE Prime Contract Payments (\$68,584,686) to ensure that they are not double counted. The Majority Contract Payments depicted in the table above have been adjusted to reflect the subtraction.

The following equation has been applied to the Total Contract Payments to determine the M/WBE percentage of Contract payments:

M/WBE\$ (excluding Subcontract Payments) + Majority\$ = Total Payments. The Total M/WBE\$/Total Payments = Total M/WBE%.

Note: M/WBE\$ (excluding Subcontract Payments) + Majority\$ = Total Payments. The Total M/WBE\$/Total Payments = Total M/WBE%

Summary - MWBE Total Contract Award Dollars*

Fiscal Year-To-Date

Contracting Area	M/WBE\$**	M/WBE%*	WBE \$	MBE \$	Majority \$	Total Contract Awards
A/E Services	\$ 15,020,384	21%	\$ -	\$ 15,020,384	\$ 56,576,424	\$ 71,596,808
Construction Services	\$ 26,912,596	22%	\$ -	\$ 26,912,596	\$ 96,228,651	\$ 123,141,247
Goods & Services	\$ 25,008,972	26%	\$ 4,977,724	\$ 20,031,248	\$ 69,411,717	\$ 94,420,689
Professional Services	\$ 17,390,361	47%	\$ 3,358,673	\$ 14,031,688	\$ 19,404,369	\$ 36,794,730
Totals	\$ 84,332,313	26%	\$ 8,336,397	\$ 75,995,916	\$ 241,621,161	\$ 325,953,474

Note: numbers are rounded to the nearest whole dollar

MBE Subcontract Awards FYTD: A&E - \$13,832,400; Construction - \$9,452,050 Goods and Services - \$3,253,752 and Professional Services - \$761,896

*MBE and WBE Award Dollars include Prime and Subcontract Award Dollars. Majority Award Dollars are adjusted to exclude the amount proffered to Subcontractors.

Note: Majority Prime Award Dollars - Subcontract Award Dollars proffered to MWBE = Majority\$. MWBE Prime Award Dollars + Subcontract Award Dollars proffered to MWBE = M/WBE\$

7. Contact Center Optimization Strategy

This strategy started in FY 2015 to ensure customer confidence through the delivery of timely, high quality products and services to internal and external customers. The objective was to dramatically improve customer satisfaction by becoming better at serving customers than any other water utility nationwide.

To achieve this goal, WSSC enhanced staffing and recruiting, improved resource utilization, streamlined business processes, increased employee engagement, increased operating efficiencies and improved the overall customer experience. **(Attachment 5)**

8. Supply Chain Management Transformation

WSSC has also been working on being very efficient at procuring goods and services. To further enhance these efficiencies, the Commission set about transforming the supply chain management function by reviewing its procurement footprints and modifying its purchasing environment. **(Attachment 6)**

III. Initiatives

1. Customer Savings from Green Initiatives:

- i. The Installation of 17,000 solar panels at Western Branch and Seneca Waste Water Treatment Plants.
- ii. Solar power will provide an average of 17% of the electricity required to operate these two plants, saving WSSC ratepayers approximately \$3.5 Million over the next 20 years.
- iii. These initiatives were constructed through a Public-Private Partnership and at no expense to the WSSC ratepayers
- iv. **Wind Power:** According to the U.S. Environmental Protection Agency, WSSC is the #1 direct purchaser of renewable wind power in the United States.
- v. While the use of wind power is becoming more common, WSSC's wind power purchase is anything but common. Instead of buying renewable energy certificates or RECs, WSSC has opted to purchase green power directly from a wind farm. This translates into a long-term price stability and savings for our customers, and demonstrates our commitment to improve air quality by reducing greenhouse gas emissions.
- vi. WSSC is paying a fixed price for 85% of the wind farm's output over the next 10 years. To really understand the financial benefit, think about your own electric bill. As energy prices continue to skyrocket, imagine if you could lock in a reasonable rate for your electric bill and then pay that fixed price for the next decade. That's exactly what WSSC has done.
- vii. By using direct wind power, WSSC is reducing greenhouse gases released into the Washington area by 38,000 tons/yr. It is the equivalent of taking 100,000 cars off the Capital Beltway.

IV. FY'17 Discussion Points

- 1. **Water and Sewer Rates** – WSSC had no increase in water and sewer rates from fiscal years 1999 through 2004 (six years).

Fiscal Year =>	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Adopted Rate Increase	3.00%	6.50%	8.00%	9.00%	8.50%	8.50%	7.50%	7.25%	5.50%	1.00%
Montgomery County SAG	3.00%	5.30%	9.70%	9.50%	9.90%	9.90%	8.50%	8.00%	6.00%	2.10%
Prince George's County SAG	3.00%	5.30%	8.00%	6.00%	8.00%	8.00%	8.50%	7.50%	6.00%	2.10%

A rate increase of 3% is being proposed for FY'17 for a total of \$3.28 or a bill increase of \$6.5% for a customer using 145 gallons per day. Between FY 07 and FY 15, WSSC rate increases have totaled 71.25 percent; while expenditures within the same period rose approximately 42.5 percent, and the regional CPI by 33.2 percent. Comparative data with other water and sewer utilities do show that rates have increased well above the CPI within the last decade. **Staff recommends a combined 3.0% water and sewer rate increase, and the complete implementation of the Infrastructure Investment Fee in FY'17.**

- 2. **Water Production Levels** – Each year WSSC projects the amount of water it will produce in the coming budget year. It does so in terms of millions of gallons of water produced per day (mgd) from its two water treatment plants. WSSC's current projection for FY'16 is 166.0 mgd; the approved level was 166 mgd. The Commission has continued to be very conservative on its water production projections.

3. WSSC has proposed a water production level of 164 mgd for FY'17, 4 mgd less than was approved in FY 2015. Staff concurs with WSSC's proposed level in FY'17 primarily because it is a conservative estimate.

FY	Difference Between Budgeted Projection & Actual	Rate Increase	Customer Accts.	Water & Sewer Rate Revenues (In millions of dollars)
08	(0.8 mgd)	6.5%	433,967	\$372.2
09	(7.2 mgd)	8.00%	433,579	\$378.4
10	(1.3 mgd)	9.00%	434,773	\$412.4
11	5.0 mgd	8.5%	438,193	\$460.5
12	(4.3) mgd	8.5%	439,805	\$482.1
13	(3.5) mgd	7.5%	441,480	\$500.8
14	(7.4) mgd	7.25%	443,827	\$537.3
15	(3.1) mgd	5.5%	445,385	\$562.4
16	(2.0) mgd*	1.0%**	449,427	\$583.4
17	0.0 mgd	3.0%**	450,785	\$578.4

* Based on January 2016 Status Report - ** Rate Increase + AMF & Infrastructure Investment Fees

3. **Billing Factor** - The billing factor is the revenue received for every 1,000 gallons of water produced. Total water produced does not equate to total water billed (and subsequent revenue). Therefore, in a given year, if the Commission collects revenue for a higher percentage of total water produced, the billing factor increases. Water and sewer revenue depends not only on the water produced and ultimately consumed, but also on the average billing rate. Since WSSC's rate structure consists of 16 steps, changes in customer use patterns can also cause changes in the billing factor and thus in the total revenues derived. For FY'17 the billing factor has been proposed at \$9.66 per 1,000 gallons of water produced. In FY'16 the budgeted billing factor was \$9.60, in FY'15, actual billing factor was \$9.45.

4. Work-Years

WORK YEARS DATA FROM FY'09 TO FY'16

	FY'09	FY'10	FY'11	FY'12	FY'13	FY'14	FY'15	FY'16
TOTAL WORK-YEARS	1555	1561	1632	1681	1693	1717	1729	1747
WORK- YEARS ADDED	30	6	71	49	12	24	12	18

For FY'17, WSSC is proposing to add 26 positions that will support critical programs and enhance customer service. The new positions will support reconstruction of the Commission's infrastructure, new regulatory requirements, waste water preventive maintenance and supply chain management and operations. Newly created permits specialist positions are no longer needed;

5. **Salary Enhancements** – WSSC has allocated \$5.5 million in salary enhancements for FY'17; both Prince Georges and Montgomery Counties will determine how the salary enhancements should be applied. \$4.4 Million of the total salary enhancement request is rate supported. The total cost and rate-supported cost for a 1% merit increase is \$384,133; and \$291,113 respectively. The total cost and rate-supported cost for a 1% COLA increase is \$1,411,800 and \$1,122,900 respectively. The total rate supported amount assumed in the WSSC budget for compensations are \$873,400 for merits, \$119,600 for IT Bonus and \$3,368,700 for COLAs, for a grand total of \$4,361,700. **Staff recommends that salary enhancement be limited to no more than 3% necessitating an adjustment of \$2.1 million within the FY'17 Operating Budget.**

6. **Fund Balance**

	Total
Water & Sewer Operating Fund Balance at end of FY'15	<u>\$ 139,480,000</u>
Less Working Capital Reserve	(55,600,000)
FY'15 Year-end Unallocated Fund Balance	<u>\$ 83,880,000</u>
REDO Extinguishment	(1,500,000)
Debt service on Bi-County adjustments to Blue Plains projects	(91,000)
Use of Fund Balance IT Strategic Plan	(8,000,000)
Use of Fund Balance AMI/Billing System Replacement (Reserve)	(2,000,000)
Operating Reserve Contribution (to maintain 10% of budgeted revenues)	(6,300,000)
Easements & Land Acquisition for Watershed Protection (A&R) - PAYGO	(1,600,000)
Use of Fund Balance Supply Chain Management Transformation (A&R)	(555,000)
Vibration Analysis Pilot (A&R)	(150,000)
Analysis of Water Production Trends & Projections (A&R)	(125,000)
Climate Change Vulnerability Assessment (A&R)	(300,000)
Communications & Community Relations Special Projects	(156,000)
Strategic Energy Plan Implementation (A&R)	(200,000)
Warehouse Distribution & Inventory Optimization Study (A&R)	(500,000)
Globally Harmonized System of Classification and Labeling of Chemicals (GHS) (A&R)	(100,000)
Unallocated Reserve (end of FY'16)	<u>62,303,000</u>
IT Strategic Plan (\$4.1M increase)	(12,080,000)
FY'17 One-time Additional & Reinstated projects	(1,082,000)
FY'17 Operating Reserve Contribution (to maintain 10% of budgeted revenues)	(6,524,000)
Easements & Land Acquisition for Watershed Protection (A&R) - PAYGO	(1,600,000)
Decrease in water consumption	(3,514,000)
Contact Center Optimization	(750,000)
Strategic Energy Plan Implementation (5-Year FY16 A&R)	(250,000)
Climate Change Vulnerability Assessment (5-Year FY16 A&R)	(250,000)
Unallocated Reserve (end of FY'17)	<u>36,253,000</u>
FY'18-'20 Climate Change Vulnerability Assessment (A&R)	(750,000)
FY'18-'20 Strategic Energy Plan Implementation (A&R)	(750,000)
FY'18-'21 Use of Fund Balance AMI/Billing System Replacement	(3,000,000)
FY'18-'21 Implementation of Space Study recommendations for support facilities	(12,500,000)
FY'18-'21 Operating Reserve Requirement (to maintain 10% of budgeted W&S revenues)	(18,100,000)
Unallocated Reserve	<u>\$ 1,153,000</u>

As shown above, WSSC projects that it will have an excess fund balance of \$36.25 Million as of July 1, 2017, over and above the operating reserve of \$68.4 Million.

7. **Health Care** - WSSC's health care budget for FY'17 is \$31.5 million, \$600,000 higher than the FY'16 approved amount. WSSC continues to work with the Montgomery County Agencies on joint procurements to take advantage of their procurement expertise and group buying power. **Staff concurs with the WSSC recommendation of \$31.5 million for Health Insurance costs in the FY'17 proposed budget.**

8. **Regulatory Compliance** - For the past decade, the Environmental Protection Agency (EPA) has identified the elimination of Sanitary Sewer Overflows (SSOs) as a national priority initiative necessary to eliminate the adverse public health and environmental impacts associated with the discharge of raw sewage overflows. Enforcement actions against major municipalities across the country have resulted in consent decrees that dictate remedial action necessary to eliminate future SSOs. **The staff concurs with the WSSC FY'17 recommendation for supporting regulatory compliance efforts.**

WSSC FY 2017 Operating Budget Recommendations

IV. Summary of Staff's Recommendations

1. Accept the Commission's proposal to increase combined water and sewer rates by 3.0%, and full phase-in of the Infrastructure Investment Fee for FY'17.
2. Adjust the lost revenue calculation for the Customer Assistance Program based on the budget projections; (Revenue Increase = - \$856,000).
3. Adjust the Blue Plains Regional Sewage Disposal Costs based on the latest projections; (Expenditure Increase +\$2.9 million).
4. Adjust FY 2017 compensation adjustments for WSSC staff comparable to compensation proposed by the County Government; (Expenditure decrease - \$2.1 million).
5. Remove additional Permit Specialist positions, (Expenditure decrease - \$103,300).

Staff Recommendations for FY 2017 WSSC Operating Budget	
FY 2017 Compensation Adjustment at 3% (COLA or Merit)	(\$2,100,304)
Revenue adjustment for the CAP calculation	(\$856,000)
Blue Plains Regional Sewage Disposal Cost Alignment with latest projections	\$2,900,000
Remove additional Permit Specialist positions	(\$103,300)
Apply net savings to Fund Balance	(\$159,604)

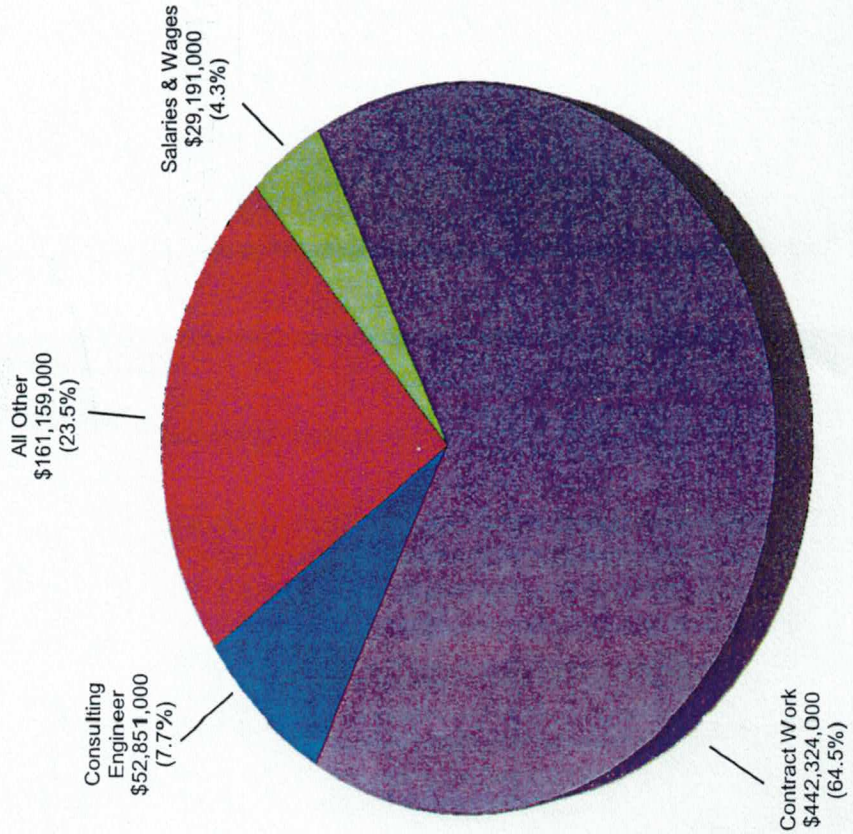
Total Rate Increase proposed for FY 2017	
Total Rate Increase (Infrastructure Investment fee full phase-in and volumetric)	6.50%

TABLE I

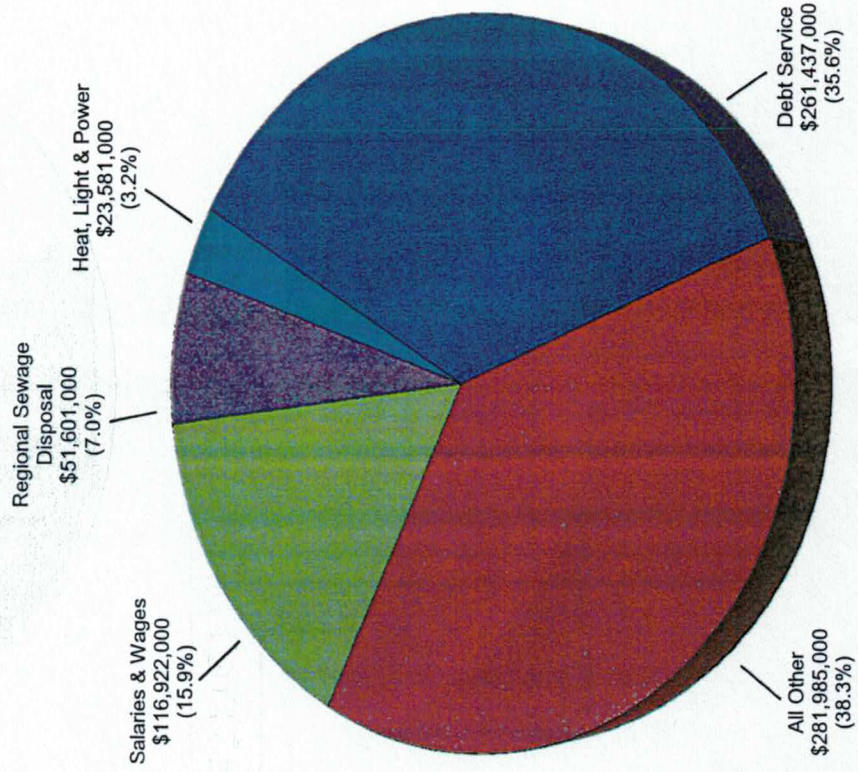
Comparative Expenditures by Fund					
	FY'14 Actual	FY'15 Actual	FY'16 Approved	FY'17 Proposed	FY'17 Over / (Under) FY'16
Capital Funds					
Water Supply	\$ 170,166,000	\$ 198,830,000	\$ 266,623,000	\$ 314,906,000	\$ 48,283,000
Sewage Disposal	346,043,000	353,417,000	400,470,000	353,083,000	(47,387,000)
General Construction	9,433,000	11,910,000	17,539,000	17,536,000	(3,000)
Total Capital	525,642,000	564,157,000	684,632,000	685,525,000	893,000
Operating Funds					
Water Operating	260,747,000	289,275,000	303,163,000	321,403,000	18,240,000
Sewer Operating	313,919,000	337,768,000	390,502,000	394,756,000	4,254,000
General Bond Debt Service	39,457,000	27,263,000	21,508,000	19,367,000	(2,141,000)
Total Operating	614,123,000	654,306,000	715,173,000	735,526,000	20,353,000
GRAND TOTAL	\$ 1,139,765,000	\$ 1,218,463,000	\$ 1,399,805,000	\$ 1,421,051,000	\$ 21,246,000

FY 2017 PROPOSED BUDGET BY MAJOR EXPENSE CATEGORY

CAPITAL = \$685,525,000



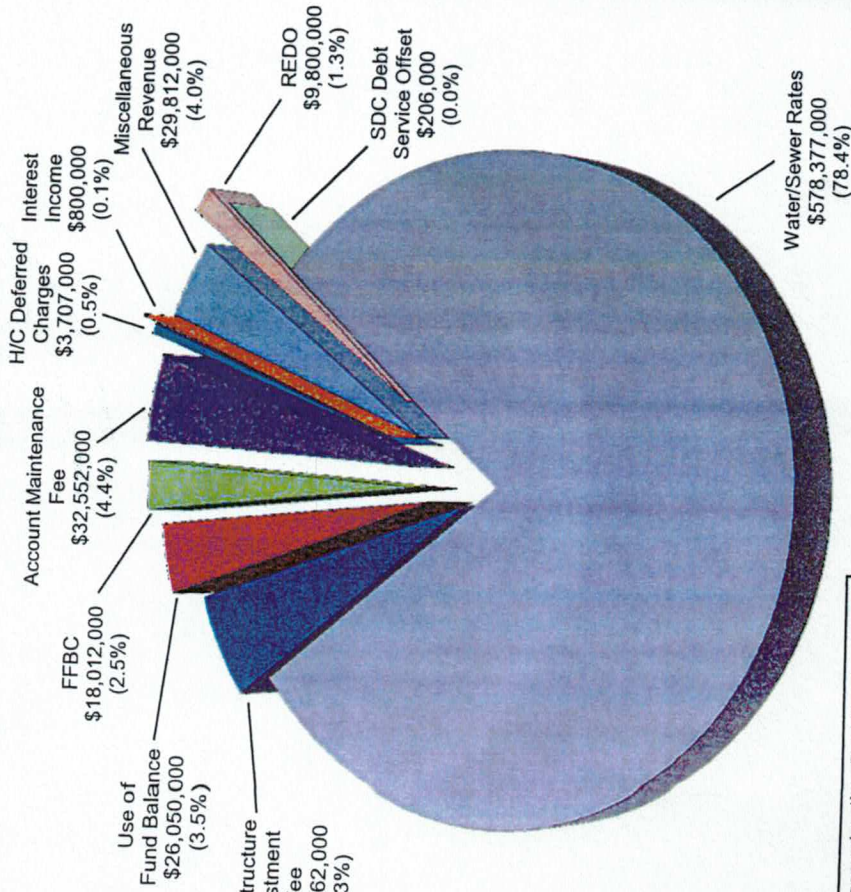
OPERATING = \$735,526,000



GRAND TOTAL = \$1,421,051,000

FY 2017 PROPOSED BUDGET OPERATING

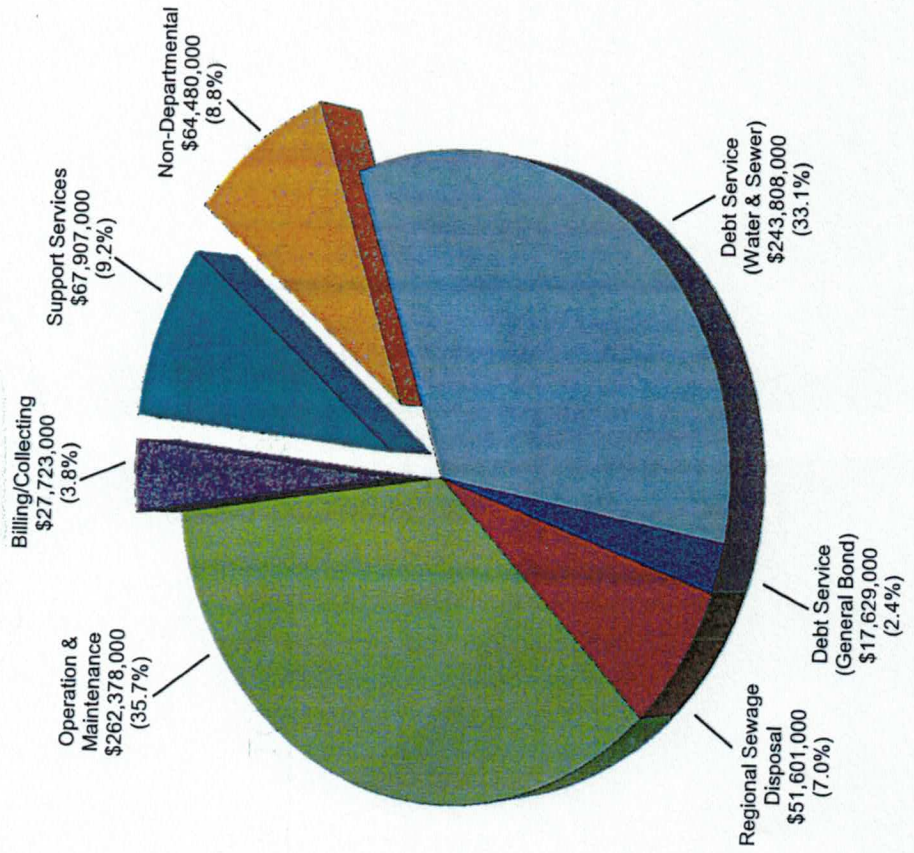
FUNDING SOURCES



TOTAL SOURCES = \$738,278,000

REDO = Reconstruction Debt Service Offset
 SDC = System Development Charge
 H/C = House Connection
 FFBC = Front Foot Benefit Charge

FUNDING USES



TOTAL USES = \$735,526,000

TABLE III

FY 2016 - FY 2017 Summary of Revenue & Expenses

(\$ in Thousands)

	Water Operating Fund		Sewer Operating Fund		General Bond Debt Service Fund		Capital Funds	
	2016	2017	2016	2017	2016	2017	2016	2017
	Approved	Proposed	Approved	Proposed	Approved	Proposed	Approved	Proposed
REVENUES								
Water Consumption Charges	\$ 251,636	\$ 256,221	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sewer Use Charges	-	-	331,739	322,156	-	-	-	-
Front Foot Benefit & House Connection Charges (Deferred)	-	-	-	-	24,620	21,719	-	-
Account Maintenance Fees	16,187	16,276	16,187	16,276	-	-	-	-
Infrastructure Investment Fee	9,709	19,481	9,709	19,481	-	-	-	-
Interest Income	200	100	800	600	585	100	-	-
Miscellaneous	13,260	15,360	13,433	14,152	450	300	-	-
Use of Fund Balance	-	-	-	-	-	-	-	-
Reserve Contribution	3,213	3,100	3,087	3,424	-	-	-	-
Other	7,745	7,862	7,532	11,664	8,500	9,800	-	-
Reconstruction Debt Service Offset	1,000	2,800	7,500	7,000	(8,500)	(9,800)	-	-
DC Debt Service Offset	213	203	515	3	-	-	-	-
Bonds & Cash	-	-	-	-	-	-	554,205	571,893
Anticipated Contributions:								
Federal & State Grants	-	-	-	-	-	-	26,872	11,306
System Development Charge	-	-	-	-	-	-	80,327	77,978
Other	-	-	-	-	-	-	23,228	24,348
TOTAL REVENUES	\$ 303,163	\$ 321,403	\$ 390,502	\$ 394,756	\$ 25,655	\$ 22,119	\$ 684,632	\$ 685,525
EXPENSES								
Salaries & Wages	\$ 58,752	\$ 62,064	\$ 52,557	\$ 54,217	\$ 655	\$ 641	\$ 26,503	\$ 29,191
Heat, Light & Power	13,042	12,843	10,311	10,738	-	-	-	-
Regional Sewage Disposal	-	-	54,895	51,601	-	-	-	-
Contract Work	-	-	-	-	-	-	421,992	442,324
Consulting Engineers	-	-	-	-	-	-	57,912	52,851
Contribution to Required Reserve	3,213	3,100	3,087	3,424	-	-	-	-
All Other	112,477	127,384	130,080	123,885	1,117	1,097	178,225	161,159
Debt Service	106,435	105,305	129,139	138,503	19,736	17,629	-	-
PAYGO	9,244	10,707	10,433	12,388	-	-	-	-
TOTAL EXPENSES	\$ 303,163	\$ 321,403	\$ 390,502	\$ 394,756	\$ 21,508	\$ 19,367	\$ 684,632	\$ 685,525
Net Increase (Decrease) in Fund Balance	-	-	-	-	4,147	2,752	-	-
Fund Balance - July 1	\$ 22,054	\$ 14,309	\$ 118,346	\$ 110,814	\$ 56,796	\$ 52,443	\$ -	\$ -
Net Increase (Decrease) in Fund Balance	-	-	-	-	4,147	2,752	-	-
Use of Fund Balance	(7,745)	(7,862)	(7,532)	(11,664)	(8,500)	(9,800)	-	-
Fund Balance - June 30	\$ 14,309	\$ 6,447	\$ 110,814	\$ 99,150	\$ 52,443	\$ 45,395	\$ -	\$ -

ATTACHMENT

Contact Center Optimization Strategy



COMMISSIONERS' BRIEFING

January 20, 2016

Derrick Phillips, Customer Relations Team Chief (Acting)
Mpande Musonda-Langley Group Leader (Acting)
Mujib U. Lodhi, CIO



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Agenda

- ✓ Purpose of the Briefing
- ✓ Project Timeline
- ✓ Current Status
- ✓ Summary
- ✓ Discussion

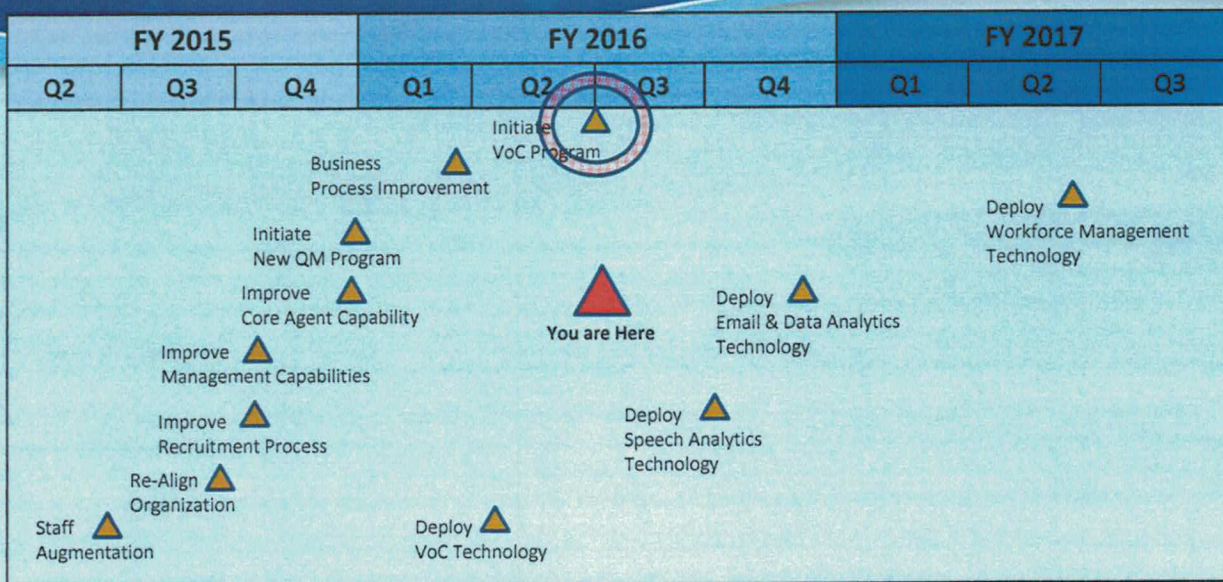
Purpose of the Briefing

In August, 2015 we reported the Status of the Contact Center Optimization project to the Commission. In that briefing, we described call center performance metrics along with performance targets to be realized by Jan, 2016.

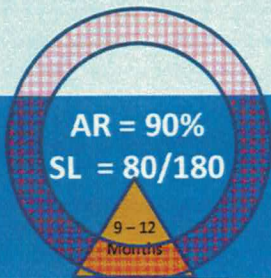
Today, we will briefly present how we performed relative to promised targets.



Project Timeline



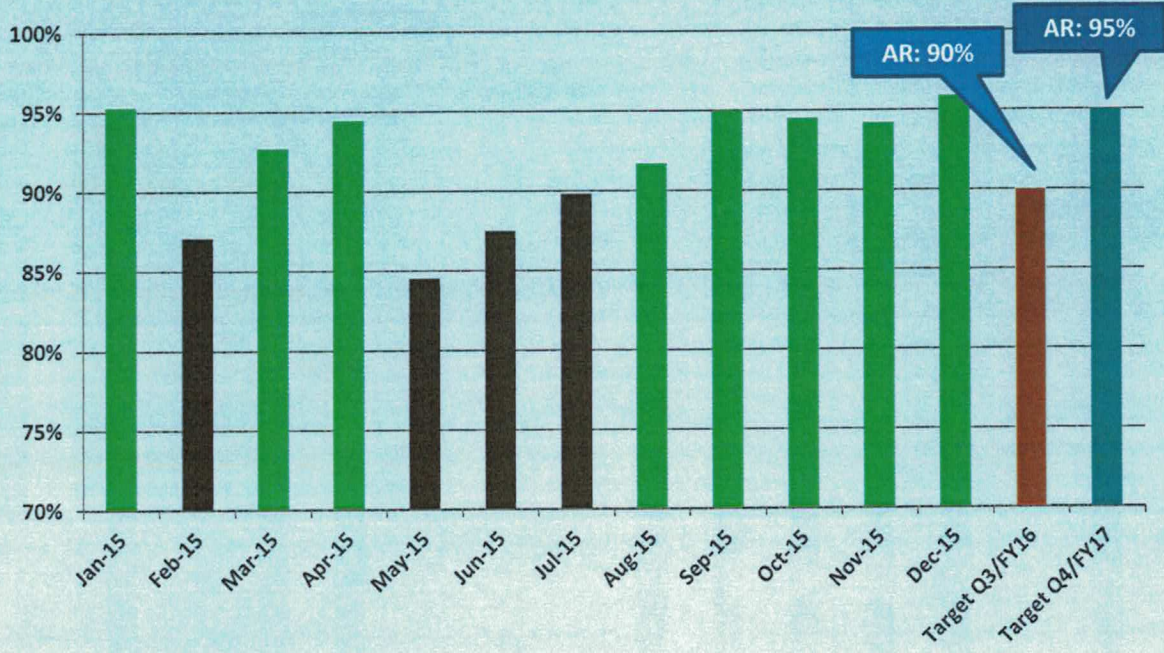
Forecasted Results



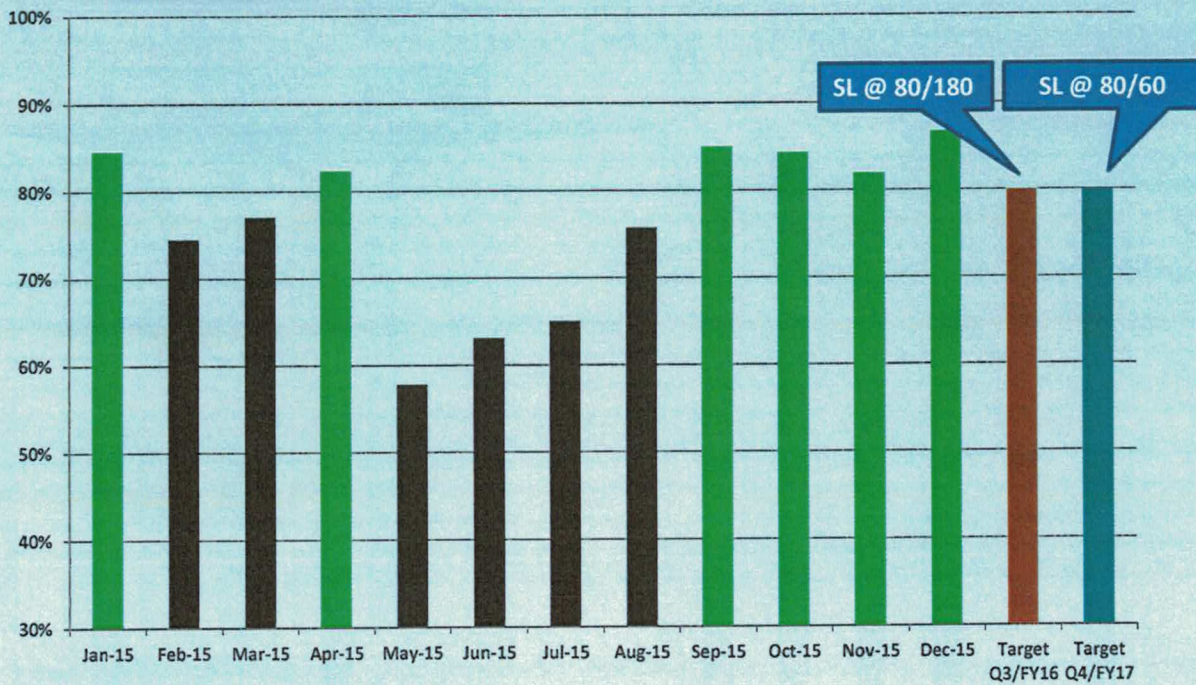
AR = 95%
SL = 80/60



Current Status - Answer Rate



Current Status – Service Level



Current Status – Voice of the Customer

- **Customer Satisfaction Survey (Voice of the Customer) project went live on 12/30/2015**
- **Survey takers are asked:**
 - **Were you satisfied with the service you received?**
 - **Did we resolve your problem?**
 - **Rate the agent's knowledge and helpfulness**
- **Enables us to measure Customer Satisfaction (CSAT) and Call Resolution statistics**
- **Will report preliminary data in next status update**

Summary

- **We have met the promised Q3/FY2016 performance targets**
- **Next level of performance targets (Q4/2017) will be harder to reach but doable**
- **Continuous effort ongoing to sustain and improve upon these metrics**
- **Customer surveys (VOC) have been implemented; this will help us incorporate customer perception data in our decision making**
- **Will be providing another update in 3 months**

Contact Center Optimization Strategy

DISCUSSION



Excellent Customer Service

Contact Center Optimization Strategy



September 17, 2014

Jerry N. Johnson, GM/CEO

Derrick Phillips, Customer Relations Team Chief (Acting)

Mujib U. Lodhi, CIO

Lyn Kramer, Contact Center Consultant, Kramer & Associates



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Agenda

- ✓ Objective of the Study
- ✓ Background
- ✓ Methodology
- ✓ Key Findings
- ✓ Recommendations
- ✓ Move Forward Plan



Deliver Excellent Customer Service

Ensure customer confidence through the delivery of timely, high quality products and services to internal and external customers.



Objective of the Study

OBJECTIVE

- **Dramatically improve customer satisfaction by becoming better at serving our customers than any other water utility around.**
- **To achieve this goal, we have identified opportunities to:**
 - 1) **Enhance staffing and recruiting.**
 - 2) **Improve our resource utilization.**
 - 3) **Streamline our business processes.**
 - 4) **Increase employee engagement.**
 - 5) **Increase our operating efficiencies.**
 - 6) **Improve “customer experience”.**

Background – Key Facts

FY 2014 Work Load		
	Work Type	Number
Contact Center Work	Calls	624,847
	Emails and Faxes	25,905
	Interactive Voice Response (IVR)	512,861
	Total Contacts	1,163,613
	Returned Mail	19,007
Non Contact Center Work	Refund Hearings & DRB/Account Reviews	250
	Total Non-CC Work	19,257

Call Center → Contact Center



624,847
Calls



25,905
Emails/Faxes



512,861
IVR

Our Integrated Consulting Methodology

Discovery & Data Gathering

Analyses & Assessment

Planning

Implementation

Building Trust, Influencing & Engaging

Stakeholder Engagement

- Project Steering Committee
- Focus Groups
- Staff/Management
- CAB

On-site Data Gathering

- Interviews
- Observations
- Reports
- AS-IS Business Process
- Systems/Data

Technology Review

- Existing technologies
- New opportunities

Benchmarking

- Metrics
- KPIs

Organization

- Organizational Support Model
- Training
- Performance Management

Strategic Roadmap

- Planning
- Governance
- Measures of Success

Implementation

- Phased Approach
- Progress Reports



Methodology

A comprehensive, data-driven analysis and evaluation of all of the components of the contact center, resulting in recommendations for improvement opportunities.



High Level Findings & Opportunities – People

#1 Agent capacity is not sufficient to meet service level requirements.

- A. Contact Center call volumes routinely exceed our agent capacity to handle those calls.
- B. Returned mail, refund hearings, DRB prep/meetings, and processing of Bay Restoration Fee Exemption Applications divert agents from attending calls.
- C. Agent's call-taking availability further reduced by un-forecasted absences: (e.g. FMLA)
- D. Agent Performance Variability – Differences among agent performance levels on key metrics.



#2 No systematic methodology to understand and incorporate customer feedback into our customer-service offerings and processes.

#3 Manual workload forecasting and manual workforce scheduling results in both overloaded resources at times and underutilized staff at other times.

#4 Quality of new agent hires is constrained by limited applicant pools and outdated job-candidate screening processes.

High Level Findings & Opportunities – Process

- #5 Additional contact center metrics and KPI's would provide an opportunity to focus on the customer experience and drive performance.
- #6 Outdated contact center business processes hamper delivery of high quality customer service.
- #7 Shortfalls in internal communication mechanisms result in less-than-optimal service response to our customers.



High Level Findings & Opportunities – Technology

- #8 Technology to automatically obtain customer feedback through surveys and voice analytics would facilitate continuous improvement of the customer experience.

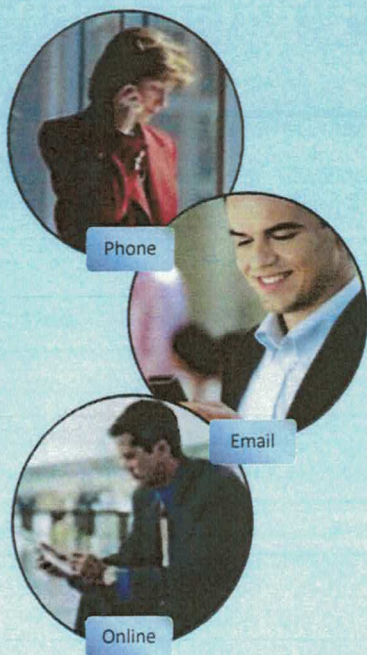
- #9 Automated technology to forecast call demand, plan, schedule, and manage staffing resources should be reviewed for opportunities to increase agent scheduling efficiencies.



High Level Findings & Opportunities – General Observations

- #10 In general, staff members are largely dedicated to the customer service mission with a genuine desire to improve.
- #11 Technology platform was recently modernized and kept up-to-date. There is adequate capacity to support the current and expected call volumes.
- #12 Management is committed to improving performance and making the changes. They realize the urgency.

Benchmarking



Benchmark KPI's Key Performance Indicators			
Benchmarking Key Performance Indicators 2013 Performance	Cus Care CY '13 Average	Muni* Utilities Average	All Industry Average
1) Answer Rate (Calls)	87%	94%	95%
2) Average Speed of Answer (ASA)	284 Sec	67 Sec	37 Sec
3) Phone: First Call Resolution (FCR)**	96.5%**	82%	84%
4) Customer Satisfaction (Csat) %	Not Measured	59%	67%
5) Transactions Completed in the IVR %	32%	30%	59%
6) Email Response Time (Hrs.)	Not Measured	No Data	11 Hrs.
7) Email: First Contact Resolution (FCR)**	Not Measured	79%	80%
** FCR is Internally reported data and is subjective. Customer Survey data is recommended.			

Recommendations & Move Forward Plan

#1 Organization Alignment

- A. Re-align the Organization – Focus the Contact Center organization on customer-service activities.
 - 1) Transition Billing and Collections and Customer Appeals operations from Contact Center organization to separate unit(s) under Customer Relations
 - 2) Add Quality Management and Workforce Scheduling/Management functions within the Contact Center organization.
- B. Improve Supervisor Capabilities
 - 1) Develop a contact center “Best Practices” Manual.
 - 2) Train and coach management.
- C. Staff Augmentation
 - 1) Extend the scope of the current staff augmentation program to handle additional call types.
 - 2) Strengthen monitoring of staff augmentation team using additional metrics and automated tools.
- D. Improve Agent Capabilities
 - 1) Revise quality and productivity standards.
 - 2) Address skill deficiencies with training and coaching.
 - 3) Establish a career progression system and a Rewards & Recognition Program.
 - 4) Monitor performance, evaluate and reward.



Recommendations & Move Forward Plan

#2 Establish Quality Management Program

- A. Implement a customer-focused Quality Management (QM) Program.
 - 1) Establish a QM Governance Role with Policy & Procedures.
 - 2) Design Best Practices Models with Feedback & Calibration.
- B. Implement a Voice of the Customer (VoC) Program.
- C. Integrate VoC, New Hire Training & Agent Evaluations.



#3 Redesign Business Processes

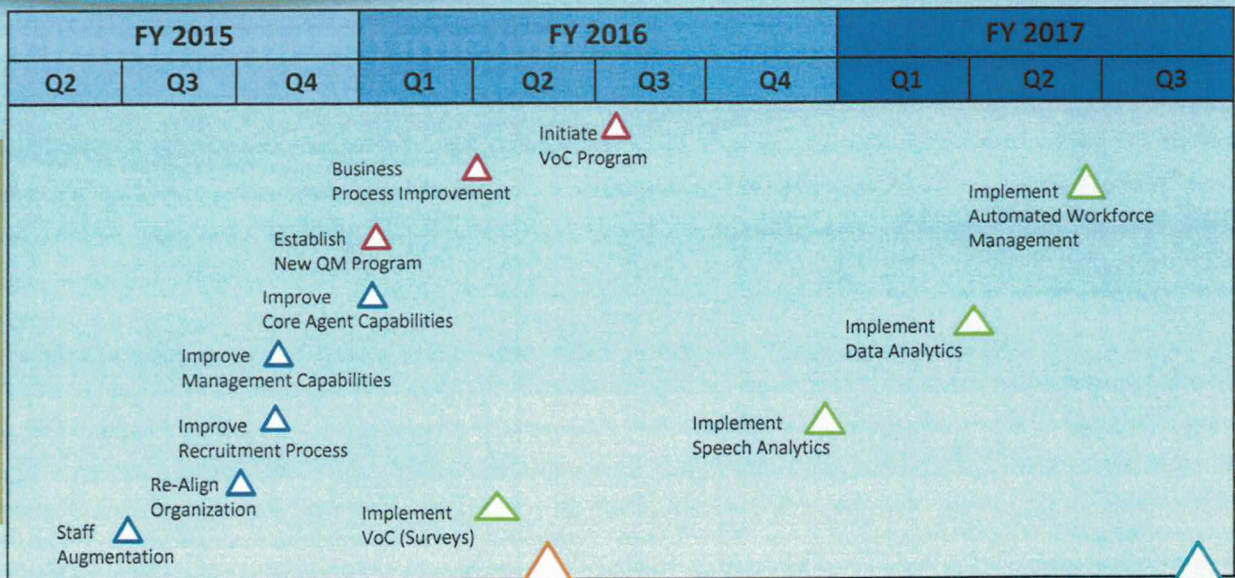
- A. Review end-to-end Contact-to-Resolution business processes.
- B. Redesign and standardize key business processes, as necessary.
- C. Incorporate standardized issue escalation and tracking features.

#4 Acquire & Deploy Technology

- A. Performance Management Modules.
 - 1. Voice of the Customer Surveys & Analytics – Calls.
 - 2. Voice of the Customer Surveys & Analytics – Emails.
- B. Automated Workforce Management tools to streamline Contact Center forecasting and scheduling processes



Implementation Timeline



9 - 12 Months

24 - 28 Months

Benefit Realized:	FY 2016	FY 2017
Contact Center	AR = 90 %	AR = 95%
Key Performance Indicators (KPI)	SL = 80/180	SL = 80/60
		Csat. = 60 %

Thank You!
Any Questions?

