

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA
ACTION ITEM

Item No.	<u>6a</u>
Date of Meeting	<u>October 1, 2013</u>

DATE: September 23, 2013
TO: Tay Yoshitani, Chief Executive Officer
FROM: Kurt Beckett, Deputy Chief Executive Officer
David Soike, Director, Facilities and Capital Program
Wesley Henrie, Process Improvement Program Manager
SUBJECT: Process Improvement Indefinite Delivery/Indefinite Quantity (IDIQ) Contract

Amount of This Request:	\$0	Source of Funds:	Current and Future Operating Budgets
Est. Total Contract Value:	\$750,000		

ACTION REQUESTED

Request Commission authorization for the Chief Executive Officer to execute a personal services indefinite delivery, indefinite quantity contract to perform continuous process improvement services with a total value of \$750,000 and contract duration of five base years plus two individual option years for a total of seven years. There is no funding request associated with this authorization.

SYNOPSIS

On July 26, 2011, the Commission approved a request to initiate a process improvement IDIQ contract, with Port staff ultimately selecting a consulting firm to help the Port with initial assessment and startup of the Continuous Process Improvement (CPI) Program.

The current contract expires in November 2013. Following standard practice from successful Lean organizations (e.g., Virginia Mason), Port leadership recommends initiating a new competitive process focusing on the selection of an experienced, reputable Lean-focused consulting firm with the background and resources to help an organization of the size and complexity of the Port of Seattle.

IDIQ contracts provide the Port with the flexibility to meet business requirements as they arise by issuing individual service directives to accomplish tasks within a general pre-defined scope of work, on an as-needed basis, for a fixed period of time, and a maximum contract amount. The Port's Office of Social Responsibility will assist in identifying any small business opportunities prior to the time of public advertisement of the IDIQ contract. Budgets to utilize this contract will come separately from annual operating budgets.

COMMISSION AGENDA

Tay Yoshitani, Chief Executive Officer

September 23, 2013

Page 2 of 4

Competitively procured IDIQ contracts are a widely used public sector contracting tool, consistent with the Port's Resolution No. 3605, as amended by Resolution No. 3628, and governed by CPO-1 policy.

BACKGROUND

With the support from the Commission, Port leadership took steps beginning in 2011 to initiate and establish a CPI program. Two key steps were completed in the fourth quarter of 2011: hiring a full-time process improvement program manager and the selection of a consulting firm.

With assistance from the consulting firm, the CPI program has moved forward with the completion of baseline efforts, including introductory training to select leadership groups, selection and training of 16 Lean Specialists, process selection across five divisions, CPI updates to the Commission and executive team, a local site visit, and the kick-off of four team-based process improvement efforts.

PROJECT JUSTIFICATION AND DETAILS

Port leadership recognizes the benefit of a process improvement program and seeks to continue the development of the program by following standard practices from highly regarded Lean organizations that include the use of a Lean-focused consulting firm. A Lean-focused consulting firm will help the Port meet project objectives as outlined in the scope of work:

- Aligning CPI efforts with division strategies, objectives, and metrics.
- Analysis of processes that impact strategies and objectives, which includes "Value Stream Mapping."
- Training of executive team and upper management on leading a CPI-focused organization.
- Development of staff to coach and mentor CPI efforts across the Port using Lean methodology.
- Facilitation of process improvement efforts.

Schedule

It is estimated that this IDIQ contract will be executed in the second quarter of 2014 with a five-year base and two one-year options.

FINANCIAL IMPLICATIONS

There is no funding request associated with this authorization. The total estimated cost for the Process Improvement Services IDIQ will not exceed \$750,000. No work is guaranteed to the consultant and the Port is not obligated to pay the consultant until a service directive is executed.

COMMISSION AGENDA

Tay Yoshitani, Chief Executive Officer

September 23, 2013

Page 3 of 4

STRATEGIES AND OBJECTIVES

When carefully implemented, CPI is a powerful methodology and management philosophy that helps an organization meet strategies and objectives in a timely and efficient manner. One of the primary functions of the consultant is to assist Port leadership with the alignment of Port-wide and division strategies/objectives with CPI efforts. For example, identifying processes that help the Aviation Division's objective to "reduce the rate of growth of recurring division-wide annual O&M cost/sf as measured in rolling 5 year periods" can improve the efficiency of the Airport. After identifying specific processes that impact this objective, Aviation Division leadership will follow CPI methodology, sponsor process improvement efforts, and empower teams to bring forth improvement ideas and implementation plans.

TRIPLE BOTTOM LINE

Economic Development

There are two general economic related outcomes from CPI efforts: increased revenues and/or reduced costs. As the Port continues the CPI journey, CPI teams will inevitably discover process improvement opportunities that will have a positive impact on the economic development of the Port. When applicable, CPI teams will document these opportunities and report out to leadership.

Environmental Responsibility

CPI efforts seek out the efficient use of resources including the reduction of materials, lower use of fuels, and optimal use of equipment. When applicable, CPI teams will document savings and report out to leadership.

Community Benefits

A core tenet of the CPI methodology is improving value from the perspective of the customer. The Port provides a wide range of services to a large and diverse group of customers. There will be instances where CPI teams identify general improvements to a broad customer base such as communities within King County. These benefits will be reported out to Port leadership.

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1) – Maintain current status of the CPI program. The Port strives to elevate the CPI program by following common practices from the best Lean organizations in the region. This alternative would not advance the program and meet the demand for CPI efforts across the Port. This is not the recommended alternative.

Alternative 2) – Hire highly experienced Lean practitioner FTEs. Along with selecting a Lean-focused consulting firm, this is a common practice among many Lean practitioners. This alternative is a good method for building expertise and know-how on the ground floor and with middle management. However, most Lean FTEs do not have experience working at the top levels within a company.

COMMISSION AGENDA

Tay Yoshitani, Chief Executive Officer

September 23, 2013

Page 4 of 4

Alternative 3) – Hire an experienced, Lean-focused consulting firm. This is a standard practice among top Lean organizations. For example, Virginia Mason selected the preeminent Lean consulting firm in the world and has maintained this service for several years. Top notch Lean consulting firms have the credibility, experience, and resources to guide and mentor at all levels within an organization – from the executive team to the ground level. In addition, Aviation intends to also add one Lean Practitioner FTE to mentor other existing employee trainees. **This is the recommended alternative.**

ATTACHMENTS TO THIS REQUEST

- Presentation slides illustrating the application of the CPI process to Aviation preventive maintenance efforts.

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

- November 13, 2012 – The Commission was briefed on the Metrics and Continuous Process Improvement Initiatives.
- July 15, 2011 – The Commission approved a Process Improvement IDIQ contract.