

**PORT OF SEATTLE**  
**MEMORANDUM**

**COMMISSION AGENDA**

**Item No.** 6a

**Date of Meeting** July 26, 2011

**DATE:** July 15, 2011

**TO:** Tay Yoshitani, Chief Executive Officer

**FROM:** Kurt Beckett, Chief of Staff  
David Soike, Director, Facilities and Capital Program  
Kristal Roberts, Manager, Organizational Development

**SUBJECT:** Process Improvement IDIQ Contract

**Amount of This Request:** \$0    **Source of Funds:** Current and Future Operating Budgets

**Maximum Value of IDIQ Contract:** \$300,000

**ACTION REQUESTED:**

Request Commission authorization for the Chief Executive Officer to execute a professional services indefinite delivery/indefinite quantity (IDIQ) contract to perform continuous process improvement services with a total value of \$300,000 and contract duration of two base years plus two individual option years for a total of four (4) years. No budget authorization request is associated with this authorization.

**SYNOPSIS:**

Continuous process improvement aims at improving an enterprises efficiency and customer satisfaction by focusing on simplification and elimination of wasted steps and effort within everyday processes as a tool to help boost organizational success on an ongoing basis. Major employers in our region, such as Boeing, Paccar, Esterline, Alaska Air Group, Amazon, Virginia Mason, and Seattle Children's Hospital have all benefitted from similar successful efforts targeted at improving the efficiency of internal processes. This kind of activity is commonly known as 'lean' or 'lean production.' It is a philosophy that helped Toyota grow from a small company in the 1930s to one of the largest in the world today. Lean focuses on maximizing value for the customer by operating efficient production systems that eliminate waste within the system processes. Finding a new way to procure parts and overhaul a bus engine in a shorter time frame, or a new way to generate and publish this particular final memorandum document in fewer steps could each be an example result of a 'lean' or continuous process improvement philosophy.

Port employees utilize standardized work processes each day to generate output for customers that can be either internal or external. Many of these processes have not benefitted from a

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comprehensive improvement review, analysis, and redesign in many years and, in some cases, decades. Port employees closest to the work have the greatest knowledge about the processes that they use day-in and day-out. As such they possess valuable knowledge and skills about how those processes can be improved. The Port's continuous process improvement initiative will leverage their knowledge to improve processes over time at all levels throughout the organization. The benefits of more efficient internal processes include freeing up staff time to be able to direct to other work and various opportunities for cost savings, customer service, and quality improvement.

In accordance with the Port's strategy to be a high-performance organization, and the Airport strategy to reduce airline costs without compromising operational needs, staff proposes to advertise and select one qualified firm to provide services related to improving the Port's internal work processes. The IDIQ contract would provide foundational information for senior executives to gain understanding in continuous process improvement benefits and methodology; facilitate their leadership in continuous process improvement; advise on the appropriate pace to make improvements; provide written communication and training plans; and provide implementation analysis, review, and consultation as necessary. The contract will include provisions for small business participation as specified by the Port's Office of Social Responsibility.

### **BACKGROUND:**

The Port strives to be a high-performance workplace. As such it seeks to continuously improve. Port staff are embarking on a long-term journey to create a self-sustaining culture that fosters measurable continuous improvement. This initiative is consistent with, and complementary to, the development of long-term strategic goals and identification of effectual performance metrics. The metrics initiative will help steer the direction for certain performance enhancements of the Port's various businesses, while over-time the continuous process improvements will provide support toward the business enhancements.

The culture of continuous process improvement endures and thrives with careful education and responsive leadership. Education of employees in process improvement techniques allows them to see inefficiencies better, and leadership support to allow the employees to eliminate those inefficiencies reinforces a positive culture of continuous improvement. As a result employees' interest and feeling of ownership over their work grows as the transactional processes, that are in use in everyday activities, continue to evolve to become more efficient over time.

IDIQ contracts provide the Port with flexibility to meet business requirements as they arise by issuing individual service directives to accomplish tasks within the general, pre-defined scope of work on an as-needed basis for a fixed period of time and a maximum contract amount.

Competitively bid IDIQ contracts are a widely used public sector contracting tool, consistent with the Port's Resolution No. 3605, as amended, and governed by Central Procurement Office (CPO)-1 policy.

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### **PROJECT JUSTIFICATION:**

This IDIQ contract will enable the Port to initiate a continuous process improvement initiative that was approved in the 2011 annual Aviation budget. The initiative will commence with consulting expertise and with an aviation full time equivalent employee that was also approved within the 2011 budget. Accomplishing process improvements will eliminate inadvertent waste, provide efficiencies and save various types of costs.

### **PROJECT SCOPE OF WORK AND DURATION:**

Prepare and execute an IDIQ contract for Process Improvement Services that will include:

- Gain an understanding of the Port and its initiatives in order to assess the readiness of the Port to begin the journey of continuous process improvement
- Educate senior executives and working team on proven process improvement techniques
- Prepare to build in-house capabilities by preparing customized syllabus and training materials
- Prepare communication plan for senior executives, working team, and staff
- Conduct improvement workshops as directed by Port staff
- Provide periodic progress monitoring and evaluative consulting as directed by Port staff.

The contract will be competitively procured and will have a contract ordering duration of two years plus two 1-year options for a total of four years from the date of execution. Service Directives will be executed during the contract ordering duration and the contract period may extend beyond four years in order to complete work. Service Directives will not be executed after expiration of the contract ordering duration.

### **FINANCIAL IMPLICATIONS:**

The contract will be written with a not-to-exceed amount of \$300,000. The Port will authorize work under individual Service Directives. The costs for services to be performed under this IDIQ contract will be included in annual operating or capital budget requests that are subject to Commission approval.

Individual Service Directives consisting of a scope, fee agreement and schedule will be negotiated and processed before any work is performed. There are no guarantees that the Port Commission will approve operating budget items for this work in future years, or that staff will initiate any Service Directive.

No budget authorization request is associated with this Commission action.

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### **ENVIRONMENT AND SUSTAINABILITY:**

The continuous improvement work is not expected to impact the environment, unless improvements in process, for example, result in less usage of paper, natural gas consumption, etc. Improvements in the methods of accomplishing the Port's work will create efficiencies in terms of freeing up available time for employees to perform other higher value work and may remove inefficiencies that in turn minimize resource needs, both of which improve the long term financial sustainability of the Port.

### **STRATEGIC OBJECTIVES:**

This IDIQ agreement supports the Port's strategy to create a High Performance Organization by providing a readily available methodology for the Port's greatest resource, its employees, to analyze and improve the processes that often dictate the way employees transact their everyday business. This agreement also supports the Airport's Strategies to operate a world class airport and to keep the cost per enplanement as low as possible.

### **TRIPLE BOTTOM LINE SUMMARY:**

Improvement in the Port's processes would benefit customers who seek efficient interactions and services from Port staff, benefits the community because more efficient business activities can only positively benefit the regional economy, and may benefit the environment also as we strive to be the greenest Port in the world.

### **ALTERNATIVES CONSIDERED AND THEIR IMPLICATIONS:**

Alternative 1) Do nothing: This alternative would not result in widespread improved processes across the Port. Under the do nothing alternative, there would not be a focused effort to use the knowledge of all of our employees to over-time update transactional processes they deal with each day. *This is not the recommended alternative.*

Alternative 2) Utilize Port staff rather than retain consulting services to move this long term initiative forward. To be effective in setting up an enduring initiative, the best information and education regarding how to most effectively go about this work must be gathered from the marketplace beyond the Port. All Port staff are already fully engaged in other work. As a result available staff time and expertise is unavailable in-house. *This is not the recommended alternative.*

Alternative 3) Prepare one Category III procurement for these specialized services. This alternative ensures a competitive process, encourages small business participation, and provides staff with the tools needed to respond in a timely manner to requests for service. **This is the recommended alternative.**

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### **OTHER DOCUMENTS ASSOCIATED WITH THIS REQUEST:**

There are no other documents associated with this request.

### **PREVIOUS COMMISSION ACTIONS OR BRIEFINGS:**

There are no previous single actions or briefings associated with this request, however the continuous process improvement initiative was identified in budget documents and presentations made for the Commission last fall.